

U.S. Department of Housing and Urban  
Development  
Office of Inspector General

**Semiannual Report to the  
Congress**

As of March 31, 1996  
*[www.hud.gov/oig/oigindex.html](http://www.hud.gov/oig/oigindex.html)*

## **INSPECTOR GENERAL'S MESSAGE**

Chapter One of this Report deals with the most critical issue facing HUD: its reinvention. Over the last years, numerous reinvention proposals have been put forward, but the comprehensive statutory changes needed to sharply define HUD's mission and align HUD programs with HUD administrative capacity have still not been enacted. We urge the Congress to bring the reinvention debate to a close, so that HUD can move forward. At the same time, we recognize that HUD's ability to implement statutory changes will depend to a significant degree on the adequacy of its internal management systems. HUD needs to redouble its commitment to improving those systems.

Chapter Two discusses OIG's Operation Safe Home activities during this semiannual reporting period. While the data in Chapter Two speak for themselves, our view is that this highly targeted and proactive campaign (against violent crime in public housing, fraud in public housing administration, and equity skimming in insured multifamily housing) is paying handsome dividends for the residents of HUD assisted housing as well as for the taxpayers. We are very appreciative of the support given Operation Safe Home in the 1996 appropriations act and in the President's proposed 1997 Budget.

Traditional OIG audit and investigative work continues to yield significant results, as detailed in Chapters Three and Four. As the nature of HUD's ultimate reinvention becomes more clear, the OIG will need to work with the Department and the Congress to gauge the potential impact on the OIG audit and investigative functions. Devolution of responsibility to states and localities, and/or a shift in the role of HUD staff to community catalysts, for instance, might well mean that the OIG audit and investigative staffs will need to shoulder increased responsibility for insuring the proper stewardship of taxpayer monies.

Susan Gaffney  
Inspector General

## Reporting Requirements

The specific reporting requirements as prescribed by the Inspector General Act of 1978, as amended by the Inspector General Act Amendments of 1988, are listed below.

<i>Source/Requirement</i>	<i>Page</i>
Section 4(a)(2)-review of existing and proposed legislation and regulations.	Pages 2-8, 22-40
Section 5(a)(1)-description of significant problems, abuses and deficiencies relating to the administration of programs and operations of the Department.	Pages 2-40
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses and deficiencies.	Pages 22-40
Section 5(a)(3)-identification of each significant recommendation described in previous Semiannual Reports on which corrective action has not been completed.	Appendix 2, Table B
Section (5)(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	Pages 9-40
Section 5(a)(5)-summary of reports made on instances where information or assistance was unreasonably refused or not provided, as required by Section 6(b)(2) of the Act.	No instances
Section 5(a)(6)-listing of each audit report completed during the reporting period, and for each report, where applicable, the total dollar value of questioned and unsupported costs and the dollar value of recommendations that funds be put to better use.	Appendix 1
Section 5(a)(7)-summary of each particularly significant report.	Pages 22-40
Section 5(a)(8)-statistical tables showing the total number of audit reports and the total dollar value of questioned and unsupported costs.	Appendix 2, Table C
Section 5(a)(9)-statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management.	Appendix 2, Table D
Section 5(a)(10)-summary of each audit report issued before the commencement of the reporting period for which no management decision had been made by the end of the period.	Appendix 2, Table A
Section 5(a)(11)-description and explanation of the reasons for any significant revised management decision made during the reporting period.	None
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	None

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# **HUD Program Design and Execution Issues**

## HUD Reinvention Needs and Progress

### HUD Reinvention Needs

When the current leadership came to HUD in January 1993, they found an agency with:

- ➔ a broad mission and multitude of programs that impact millions of low- and moderate-income households and most American communities,
- ➔ hundreds of billions of dollars of long-term financial commitments, and escalating program budget needs in a budget reduction environment,
- ➔ widespread internal control weaknesses and financial management systems deficiencies,
- ➔ capacity limitations and resource management weaknesses that hinder existing program delivery, and
- ➔ a reputation for poor performance.

The OIG attributed, and continues to attribute, HUD's longstanding performance problems to two basic factors: significant imbalances in HUD's mission expectations, program design, and administrative capacity, and poor internal management.

To address imbalances in HUD's critically related mission expectations, program design, and administrative capacity, the OIG has called for a reduction in mission focus, elimination of some programs, and corresponding reorganization and reallocation of available administrative resources. In the OIG's judgment, significant improvements in HUD's program performance would also require strengthening certain pillars of HUD's management infrastructure, including: program streamlining, organizational structure, resource management, data systems, performance measurement, and program enforcement.

The purpose of this Chapter is to summarize the OIG's perspectives on HUD's reinvention needs and progress, and related management issues.

### HUD Reinvention Strategies and Progress

Over the past 3 years, a wide variety of proposals for reinventing HUD have come from a number of sources, including Secretary Cisneros, the White House and the Congress.

In February 1993, Secretary Cisneros initiated a reinvention effort to reassess HUD's mission and program delivery structure. However, the effort was overtaken by the National Performance Review, and HUD limited its early reinvention actions to establishing mission priorities and realizing greater efficiencies within its existing program structure.

In December 1994, HUD's "*Reinvention Blueprint*" represented the first serious proposal to improve HUD's overall program delivery structure. While the proposal contained many desirable program consolidations and statutory change provisions, it lacked clear mission objectives, was not comprehensive in considering the necessity and benefit of all existing programs, and proposed a major staff reduction without relating the reduction to specific program needs.

Needed statutory changes have been slow to come. The Congress has passed some statutory change provisions — through "*The Housing Opportunity Program Extension Act of 1996*" and the "*Fiscal Year 1996 Appropriations Act*" — but these provided only limited, albeit significant, improvements in HUD's existing program structure, rather than a comprehensive redesign of HUD's overall mission and program delivery structure. More comprehensive legislation has been proposed for HUD's public housing and tenant-based subsidy programs — through both "*The United States Housing Act of 1995*" and "*The Public Housing Reform and Empowerment Act of 1995*" — but this legislation is still pending. While HUD drafted an "*American Communities Partnership Act*" to carry out its "*Reinvention Blueprint*" proposal, it was never

introduced as a bill, and is undergoing revision to reflect further changes in HUD's reinvention thinking.

Notably, HUD and the Congress have been unable to develop and agree to a viable course of action for addressing the substantive program policy and cost issues associated with HUD's project-based assistance programs for multifamily housing. Project-based assistance programs are vulnerable in that they lack normal market forces to assure housing is decent, safe and sanitary, and HUD lacks the capacity to enforce program requirements. While the cost of these programs is a major budget issue for the Congress, HUD has to date lacked support for its portfolio restructuring proposal, "mark-to-market." The Congress is now approving short-term renewals of project-based assistance contracts until a long-term solution is devised.

Pending needed statutory changes, HUD has proceeded to initiate many changes within its existing program delivery structure, as a step towards its reinvention objectives. These changes include:

- ➡ Direct HUD involvement to improve the performance of longstanding, large, "troubled" public housing agencies,
- ➡ Demolition of many of the most deplorable obsolete public housing developments to pave the way for better housing and neighborhood revitalization,
- ➡ Concerted efforts to combat violent crime and drugs in public housing through the Operation Safe Home initiative,
- ➡ Sales of HUD held mortgage notes to alleviate and improve asset servicing burdens,
- ➡ Special Workout Assistance Team (SWAT) efforts to crack down on negligent landlords in HUD's insured and assisted multifamily housing programs,
- ➡ Consolidation of planning and application requirements for numerous community development programs, and
- ➡ Operation of a single family mortgage insurance processing center pilot effort to demonstrate operational efficiencies.

The collective reinvention activities to date have served to better define HUD's program delivery problems, foster constructive debate on alternative solutions, and develop strategies and plans for many needed improvements. Actual progress has been made in removing some significant legislative barriers to good performance and in addressing some of HUD's worst program performers. Overall, however, the OIG believes that current reinvention proposals, plans, and progress, taken collectively, fall short of the needed alignment of HUD's mission expectations, program design and administrative resources.

## HUD Management Issues

HUD's ability to reinvent itself is largely contingent on its ability to provide needed improvements to certain pillars of its management infrastructure. In our last Semiannual Report to the Congress, we identified those pillars as: program streamlining, organizational structure, resource management, data systems, performance measurement, and program enforcement. Our current assessment of progress in these areas follows:

### Program Streamlining

HUD's current program structure contains at least 14 major mission components, including: regulating the housing industry, developing new housing, preserving existing housing, managing housing, promoting homeownership, assisting renters, assisting the homeless, providing social services, developing communities, providing disaster assistance, developing the economy, providing technical assistance, developing program delivery capacity, and improving program administration. Some of these mission components — such as disaster assistance, social services and economic development — overlap with other agency missions, are beyond HUD's capacity to effectively administer, and/or detract from the pursuit of HUD's basic mission of assuring an adequate supply of decent, safe and sanitary affordable housing within a community context.

While HUD has proposed considerable program consolidations, its proposals retain many programs that the OIG believes are poorly targeted to low-income persons, of questionable need in the market place, and/or readily available through other programs. Examples include mortgage or loan insurance programs for hospitals, nursing homes, mobile homes, multifamily housing, and home improvements.

HUD has attempted to effectuate some of its desired program consolidation and streamlining changes within its existing program structure. Such efforts have included consolidating many community planning and funding application processes. While these efforts are a positive step toward reinvention objectives, it is cumbersome, at best, to implement such changes without the necessary program statutory changes.

In an effort to meet governmentwide regulatory reduction goals, HUD has eliminated many regulations, rules and program handbooks. However, many of these issuances served to consolidate and explain HUD's myriad program statutes, and actually provided useful guidance to program participants. While the National Performance Review focused on a governmentwide issue of overregulation, the OIG believes that HUD's particular streamlining needs are rooted in current legislation.

HUD is also considering further outsourcing of program functions. As part of any such decisions, HUD needs to assure that it has sufficient processes and resources in place to properly carry out the governmental functions associated with outsourced services. For example, our audit work continues to disclose cases where HUD fails to act on the results of well performed contractor servicing of portions of the insured multifamily housing portfolio.

The Congress can assist the reinvention of HUD by expediting needed program statutory changes as the logical starting point for effective planning and implementation of further HUD program streamlining efforts.

## Organizational Structure

In 1993, HUD reorganized its field structure along program lines. Previously, Regional Administrators had directed the HUD field staff. Under the reorganization, the program Assistant Secretaries each direct their own field office staffs. Such a structure is no longer appropriate for the mission objectives and program delivery structure contemplated in HUD's January 1996 plan to complete the transformation of HUD, entitled "*Renewing America's Communities from the Ground Up*." While organization along program lines could provide more accountability in existing program structures, such an organization is not well suited for carrying out HUD's new vision of a seamless, community-first, place-based program delivery structure. HUD is attempting to modify its existing program organization to better fit its proposed community-based program delivery structure by creating Secretary's Representative and State and Area Coordinator functions with limited authorities over the field program Directors. The OIG believes this modified structure is inefficient, and notes that it has been tried at other federal agencies with limited effectiveness.

Furthermore, HUD's 1993 reorganization was never fully completed, given that HUD's considerable headquarters resources were never reorganized, and the field office restructuring and staff reassignments were never fully carried out. HUD is currently studying its headquarters organization and functions, and is considering further field office restructuring and staff transfers, particularly as they relate to establishing new program processing or service centers. HUD is also developing a model office concept to improve its customer service on a place-based basis.

HUD's efforts to reorganize have been driven by a National Performance Review recommendation, the need to accommodate a large staffing reduction, and the new place-based program delivery philosophy. These efforts have continued in the absence of a current statutory articulation of HUD's mission and program structure.

## Resource Management

HUD continues to lack systemic means or processes for identifying resource needs and

allocating resources provided, to assure that essential program functions are carried out.

HUD's Office of Administration provided program managers with reinvention process guidance and some tools for analyzing personnel data on the positions and locations of HUD staff. These "resource management tools" have not been widely used by HUD program officials to perform detailed reengineering of major program processes, analyses of resource availability and needs, or matching of resources and workload.

Further, HUD does not maintain a bottoms-up budget formulation process to identify resource needs based on detailed analyses of its program roles, functions, processes and anticipated workloads. Detailed analyses of staffing, travel, training, systems and contracting needs are not performed for HUD's existing programs or reinvention initiatives and proposals.

In the OIG's view, resource management decisions related to HUD's reinvention proposals have been made without sufficient analysis and detailed planning to assure the feasibility and benefits of the decisions. HUD has not clearly established the role, level and distribution of administrative resources needed to carry out proposed changes to HUD's program delivery structure. Decisions to reduce overall staff levels to 7,500, and to redeploy 1,000 field staff and 500 headquarters staff, appear to have been made without the benefit of supporting program analyses. While management has focused on managing full-time equivalent levels and planned attrition to meet arbitrary budget targets, we believe there has been insufficient focus on the program impacts and change needs resulting from these resource management decisions. The lack of supporting details makes it difficult for HUD to sell the Congress on its short-term budget needs and the long-term program benefits and savings of its reinvention proposals.

Management has established program management plans and priorities, and a *Strategic Performance System* to monitor performance against those plans and priorities. The system is useful in conveying management strategies and priorities, and for periodic reporting of progress and accomplishments against major objectives. A system

component was added to estimate the number of staff needed to achieve priority goals, but the component has not yet been effectively used in many program areas. Regardless, the system only reflects some HUD program activities and resources, and is not an acceptable substitute for the more comprehensive and detailed processes needed for an effective day-to-day management of the substantial resources devoted to HUD's program administration.

As a result of HUD's continuing resource management weaknesses, there is little assurance that HUD's \$1 billion annual salaries and expenses budget is efficiently and effectively used to further HUD's mission and minimize program risks. OIG audit work continues to find that many critical program functions are not being adequately performed, and that there are continuing imbalances in staffing to workload ratios from office to office.

## Data Systems

HUD efforts to provide adequate management information systems support have met with some measurable success, but much work remains. Of the 15 major systems development efforts being tracked by OIG, three have operational components in use, one is in pilot testing, two are under active development, and nine have yet to progress from the information system planning stage, as follows:

### **Systems with Operating Components**

- ➔ Housing CFS/TRACS (Budgeting and Accounting for Section 8 Project-Based Assistance Programs)
- ➔ PIH HUDCAPS (Budgeting and Accounting for Section 8 Tenant-Based Assistance Programs)
- ➔ Administrative Accounting

### **Systems in Pilot Testing/Limited Use**

- ➔ CPD Integrated Disbursement and Information System (IDIS)

### **Systems Under Active Development**

- ➔ Agency Accounting
- ➔ PIH Integrated Business System (IBS) Capital Fund

### **Systems in Planning Stage**

- ➔ Budget Formulation/Operating Planning
- ➔ Grants Management
- ➔ PIH IBS Customer Services
- ➔ PIH IBS Demolition/Disposition
- ➔ PIH IBS Operating Subsidies
- ➔ Housing-Federal Housing Administration Management Information System (FHAMIS) - Multifamily System
- ➔ Housing FHAMIS - Single Family System
- ➔ Housing FHAMIS - Controllor
- ➔ Housing FHAMIS - Operations

Much work remains to complete the development and integration of HUD's accounting and financial management systems. As examples: efforts to implement an integrated accounting system for PIH Section 8 programs have experienced difficulties, and the system is still not able to fully support all program accounting and budgeting requirements; HUD systems are not yet capable of verifying tenant reported income data for determining funding eligibility in assisted housing programs; and information for essential program management and loss mitigation efforts in HUD's significant multifamily housing programs area is still not readily available in automated form.

When systems are placed into production, HUD must provide adequate software maintenance support and systems security. A recent OIG audit report concluded that HUD does not have effective controls over software maintenance (see Chapter 3 under

Administration). HUD needs to adopt the recommended actions as soon as possible to control software maintenance costs, quality and contractor performance. We are also aware that HUD has still not fully implemented the systems security software package that was purchased several years ago. Access controls must be in place to limit system access to people with a legitimate need for the data, and to prevent and detect system errors, failures and unauthorized use.

System development problems and delays are largely attributed to a combination of funding constraints, continuing needs for stronger program management commitment to systems development, and better project management. There is also a need for stronger information systems leadership from a Departmentwide perspective.

The recently passed Information Technology Management Reform Act (ITMRA) recognizes the need to manage information resources at the highest levels. The Act requires Executive Agencies, including HUD, to establish a Chief Information Officer (CIO). The ITMRA requires the head of each agency to analyze the missions of the agency and, based on the analysis, revise the agency's mission-related processes and administrative processes before making significant investments in information technology that is used to support performance of those missions. ITMRA also requires the CIO to monitor the performance of information technology programs of the agency, evaluate the performance of those programs on the basis of applicable performance measurements, and advise the head of the agency regarding whether to continue, modify, or terminate a program or project.

In practice, the CIO should assume a leadership role in HUD's reinvention and business reengineering processes, and work closely with HUD program offices in identifying and fulfilling information needs to carry out and evaluate their mission. HUD moved quickly to appoint the existing Office of Administration's Director of Information and Technology as HUD's CIO. We are concerned that the placement of the CIO within the Office of Administration does not give the CIO sufficient independence and standing to fulfill the strategic and performance-oriented role intended by the Act.

We believe HUD should reexamine its planned implementation of the CIO Act as part of a “clean-slate” reorganization of headquarters functions. In any event, HUD needs to develop comprehensive data systems plans and funding needs to support its overall reinvention efforts. The Congress should support those plans and hold HUD accountable for implementing them.

## Performance Measurement

The availability of appropriate performance measures is essential to effectively implementing HUD’s reinvention proposals. A number of HUD initiatives are in process to increase the availability and use of performance measures in managing programs and operations. Nevertheless, HUD has only been able to accumulate rudimentary performance measure data for many of its programs. Information that is available has generally been limited to input measures (e.g., funding provided), with some output measures (e.g., number of households subsidized), rather than program outcome measures on the effectiveness and efficiency with which program goals are being achieved.

HUD’s fiscal year 1997 budget request increases funding for the Research and Technology account by \$11 million in order to accelerate the development and implementation of reliable performance measures, including measures of programmatic outputs, customer service quality, and long-term socio-economic outcomes. This is envisioned as a multi-year effort of research, data collection, information systems development, and analysis. Input from HUD’s state and local government and private program partners must be considered in developing viable performance measures. The effort will also require close coordination by HUD research, program, and administrative support staff to ensure that performance measurement is effectively incorporated into the Department’s budget process, program management, and information systems. The OIG urges Congressional support for this important effort.

## Program Enforcement

HUD needs to establish an effective enforcement culture that operates at the lowest possible level. In the past year, HUD has initiated more aggressive

actions to remedy some of its most egregious program problem areas, including actions against several longstanding large, troubled PHAS, as well as owners of financially and physically troubled insured and assisted multifamily housing projects. These efforts have been largely directed by headquarters management. We view these as important first steps in establishing a HUD program management culture that no longer tolerates blatant abuses and substandard performance in programs intended to serve low-income persons. Such enforcement efforts are being pursued on a limited basis, as HUD develops better program processes and an increased capacity to expand the efforts to other problem performers and program areas. Program enforcement needs to be a HUD resource management focus area to expedite needed actions.

The need for an improved HUD program enforcement culture is still frequently evidenced in the lack of management action on the results of OIG audit findings of waste, abuse and funding misuse in HUD programs. OIG audit work is a considerable extension of HUD’s own program monitoring efforts. Program managers need to make maximum use of OIG audit efforts by taking prompt and appropriate actions to correct, prevent and deter problems disclosed by the OIG. Examples of lax management actions on OIG audits are provided in Chapter 3 and Appendix 2 of this report.

## **Congressional Support for Reinvention**

The Congress can greatly assist the reinvention of HUD through decisive statutory changes and close oversight to:

- ➡ Clarify and focus HUD's mission,
- ➡ Consolidate and simplify HUD's program structure to better align it with HUD's mission,
- ➡ Provide level administrative funding streams to stabilize program delivery, and
- ➡ Require HUD to establish comprehensive and detailed reinvention plans for implementing its new program structure, with semiannual Congressional oversight of progress made.

# Operation Safe Home

Operation Safe Home is a campaign, initiated in February 1994, to combat crime affecting HUD housing. Operation Safe Home focuses on three major types of wrongdoing that undermine HUD programs — violent crime in public and assisted housing, fraud in public housing administration, and equity skimming in multifamily insured housing.

Operation Safe Home differs from traditional OIG work in that it is highly targeted and proactive; it employs non-traditional techniques; and it represents a long-term, sustained commitment to reducing the targeted vulnerabilities. For example:

- ➡ Special Agents are now developing cases in targeted areas, in addition to reacting to complaints.
- ➡ HUD is relocating witnesses to violent crime in public and assisted housing.
- ➡ Audit/investigative probes, in addition to comprehensive audits, are being conducted of areas within public housing that are particularly susceptible to fraud.
- ➡ Auditors are focusing on areas that have historically proven to be vulnerable to multifamily equity skimming and referring cases immediately to U.S. Attorneys for possible civil litigation.

Work undertaken and progress made in the three areas of Operation Safe Home are detailed in the remaining pages of this chapter.

## Combating Violent Crime in Public and Assisted Housing

HUD spends billions of dollars a year for public and assisted housing, much of which has become plagued with violent crime — with law-abiding residents, many of them elderly, terrorized by drug and gang activity. The rising tide of violence could be attributed, in part, to poor communication/cooperation between housing authorities and local law enforcement, inadequate emphasis on crime prevention (as opposed to law enforcement), and fragmented federal, state, and local law enforcement efforts.

Accordingly, one aspect of the Operation Safe Home initiative was structured to combat the level of violent crime within public and assisted housing, and enhance the quality of life within such complexes via three simultaneous approaches:

- ➔ Strong, collaborative law enforcement efforts focused on reducing the level of violent crime activities occurring within public and assisted housing;
- ➔ Collaboration between law enforcement agencies, public housing managers, and residents in devising methods to prevent violent crime; and
- ➔ The introduction of HUD, Department of Justice (DOJ), and other agency initiatives specifically geared to preventing crime.

As a result of this outreach, over the past 2 years the HUD OIG has become a participant in over 100 law enforcement task forces; assumed significant responsibility for relocating witnesses of violent crime; sponsored a dialogue among police chiefs, DOJ, and HUD program managers; and developed an anti-crime legislative proposal.

## Task Force Operations

As noted above, HUD OIG is participating in over 100 law enforcement task forces focused on combatting violent crime in public and assisted housing. Cooperating federal agencies include the

Federal Bureau of Investigation (FBI), the Drug Enforcement Administration (DEA), the Bureau of Alcohol, Tobacco and Firearms (ATF), the U.S. Marshals Service (USMS); the U.S. Secret Service (USSS); the U.S. Postal Inspection Service; and DOJ. Law enforcement personnel from individual states, counties, cities, and housing authorities are also typically represented on the task forces. Results from task force operations are as follows:

Activity	Current Reporting Period	Cumulative to Date
Arrested	1,188	8,014
Seized		
Weapons <sup>1</sup>	471	846
Cash	\$250,013	\$1,312,171
Search Warrants	279	1,016

<sup>1</sup> Includes 11 assault weapons and shotguns during this reporting period, for a total of 52 to date

Illustrative task force results during this reporting period are described below.

### *Colorado*

An investigation by the HUD OIG and U.S. Postal Inspection Service proved that a dealer who operated out of a public housing unit in DENVER mailed approximately 20 express mail packages of crack worth about \$250,000. The dealer pled guilty to possession with intent to distribute and was sentenced to 24 years in prison.

### *Connecticut*

In NEW HAVEN, the convictions of members of the *Latin Kings* street gang were obtained after a long-term undercover investigation. In one operation, using a HUD foreclosed property, HUD OIG Special Agents and other task force members photographed, provided surveillance and otherwise documented the *Latin Kings* using unoccupied HUD owned property to store their narcotics. Their “Director of Programs and Charter Goals” was sentenced to 17 years for running their narcotics operation and ordering the murder of a rival gang drug dealer. Federal Racketeer Influenced

and Corrupt Organizations (RICO) charges were brought against four other gang members who have been sentenced to life in federal prison without parole. They participated in the murder/executions of three rival gang members and supplied firearms for the drive-by shooting of a 16-year old girl. Additional gang members are scheduled to go on trial later this year. The Latin Kings Task Force includes HUD OIG, FBI, DEA, ATF, U.S. Customs, Connecticut State Police and Department of Corrections, State Attorney's Office, and the Police Departments from Hartford, New Haven and Bridgeport.

Arrests followed a year-long investigation by HUD OIG, the State Attorney, and state and city police into gang and drug activity in the Southfield Village public housing development in STAMFORD, and Monterey Village (a 163-unit privately owned Section 8 project-based property administered by the NORWALK Housing Authority). Twelve arrests were made in Southfield Village, which is controlled by the *South Kill* street gang, part of the *Brotherhood* gang. Fifteen members of the Brotherhood gang were arrested in Norwalk. Under the state Corrupt Organization and Racketeering Act, state narcotics violations call for high bonds and exposure to high level sentencing in the state superior court.

Crime detection and prevention efforts continued in HARTFORD. High visibility patrol operations by the FBI, HUD OIG, Hartford Police and the State Police, particularly in the Charter Oaks Terrace and Dutch Point public housing developments, resulted in more than 46 arrests involving outstanding warrants for murder and drug related violations. Searches found public housing and Section 8 funded units were being used for drug transactions and to store or stash drugs and weapons.

### ***District of Columbia***

Efforts to keep crime down in the Kelly Miller public housing community continue. HUD OIG assembled and chaired the first post enforcement committee meeting. Post enforcement efforts include identification of individuals and families in immediate need of social services, delivery of social services by Howard University, and community based strategies for problem solving. The committee, comprised of the local HUD Director of Public Housing, both the Director of Operations and the

Director of Security for the Housing Authority, and the local police department, is also coordinating the establishment of a police residence program at the complex. Meanwhile, HUD OIG continues to monitor criminal activity through regular contacts with confidential informants and coordinates appropriate action on this information with local and federal law enforcement.

In March, Agents from HUD OIG, ATF, and the local police department visited each family, and handed out Operation Safe Home pamphlets. During their visit, Agents also removed two illegal occupants and an individual who was found shooting heroin, and brought in D.C. social services to provide immediate assistance to a drug-addicted mother and her three children.

### ***Florida***

In predawn raids, the SOUTH MIAMI Operation Safe Home Task Force, made up of HUD OIG, Metro Dade County Police Tactical Narcotics Team, DEA, and ATF, arrested 15 individuals who were responsible for most of the drug trafficking in South Miami public housing developments. Three were career criminals, which means that they have been convicted of three or more violent or drug related felony violations, and seven had previous felony convictions for narcotics.

Efforts by the Operation Safe Haven Task Force in OPA LOCKA, which is comprised of HUD OIG, ATF, DEA, FBI, and the Metro Dade Police Department, resulted in 15 arrests. A gun and ammunition, crack cocaine, heroin, cash, and four vehicles were seized during these operations. In one operation at the Lincoln Fields Section 8 complex, two search warrants were served after undercover agents purchased crack from dealers inside the complex. Eight were arrested and arrest warrants are outstanding for four dealers who were not home at the time the searches were executed.

## ***Georgia***

In ATLANTA, seven members of the *Miami Boys* street gang were sentenced for distributing cocaine and marijuana in public housing developments. Prior to the joint investigation by DEA, ATF, and HUD OIG, the gang controlled the illegal drug trade in several Atlanta public housing developments, maintaining their control through violent acts, such as drive by shootings, resulting in several deaths and injuries. Sentencing ranged from 60 to 130 months imprisonment.

## ***Louisiana***

Ongoing surveillance by the NEW ORLEANS Task Force resulted in 121 arrests at public housing complexes and 193 arrests in Section 8 areas of the city. Over 4,000 grams of drugs, \$21,900 in cash, 8 vehicles and 44 weapons were confiscated. The majority of arrests were made for drug and weapons violations and on outstanding fugitive warrants, but some involved possession of stolen property, kidnaping and extortion. The task force includes personnel from HUD OIG, ATF, DEA, USSS, USMS, New Orleans Police Department and Jefferson Parish Sheriff's Office.

## ***Maryland***

Operation Safe Home activities in BALTIMORE included two operations by the High Intensity Drug Trafficking Area Task Force (HIDTA). A 5-month investigation culminated in the execution of 4 federal search warrants and 1 federal arrest warrant for a Baltimore City employee who sold weapons in and around public housing. More than 145 weapons were removed from the streets in and around public housing during this investigative effort. HIDTA is an initiative of the Office of National Drug Control Policy and every level of government from local to federal is involved.

## ***Massachusetts***

The Organized Crime Drug Enforcement Task Force (OCDETF) is actively involved in an ongoing investigation into a major cocaine and heroin distribution network with activities in South America, Florida, New York and the New England states. The

network is the primary supplier to mid-level drug dealers selling in various public and assisted housing sites. During this reporting period, OCDETF was operational in two major cities in Massachusetts. OCDETF includes HUD OIG, DEA, ATF, IRS, U.S. Customs, Massachusetts State Police and Department of Corrections, and the police departments in the cities of Somerville, Revere, Salem, West Newbury, Rowley and Peabody. In BOSTON, nine search and arrest warrants were executed at various locations where nine individuals were arrested. In LAWRENCE, 10 search warrants of suspected crack houses were executed; 15 individuals were arrested. More than \$48,000 in cash, drugs, 117 weapons, 11 vehicles, gold, silver, explosives and grenades were confiscated.

## ***Michigan***

In YPSILANTI, a sweep at public housing and Section 8 areas in Washtenaw County was conducted by ATF, DEA, HUD OIG, the County Sheriff's Department and Ypsilantii Police Department as the culmination of a 4-month operation. The sweep focused on the *Crips* and *Bloods* gangs operating within HUD housing and resulted in 67 arrests. The Sheriff's Department, in conjunction with the County Prosecutor's Office, has pledged "zero tolerance," which means that no plea bargains will be made for those arrested.

## ***Minnesota***

In conjunction with the MINNEAPOLIS Police Department and the Housing Authority, HUD OIG participated in several operations involving the execution of search warrants in which 16 arrests were made, drugs and drug paraphernalia were confiscated from public housing units, and 1 resident was evicted. At 1 unit, a 9-month old child was placed with Child Protection Services because of concerns of child endangerment and the unsanitary condition of the unit.

## ***Nebraska***

Joint investigations by HUD OIG and ATF resulted in 25 arrest warrants being issued in Phase I of the Operation Safe Home Task Force in OMAHA. Seventeen individuals were named for criminal

violations performed in the presence of an undercover HUD OIG Special Agent. The arrest teams included 13 HUD and 5 ATF Agents in cooperation with 42 personnel from the FBI, DEA, USMS, Nebraska State Troopers, Douglas and Sarpy County Sheriffs, and the Papillion and Omaha Police Departments. An identification sweep was also performed by HUD Agents at the Mason Apartments, a Section 8 assisted development. Twenty-four of the 25 individuals named in the warrants were arrested.

The first individual to be sentenced as a result of the efforts of this task force was a drug supplier who had terrorized both the residents and the management of the Mason Apartments. He received 7 to 10 years in a state penal institution after pleading guilty to 3 counts of delivery of cocaine to an undercover HUD OIG Agent.

### *New Jersey*

In NEW BRUNSWICK, high profile anti-drug operations took place in and around two public housing developments. Approximately 17 individuals were arrested and cocaine and heroin were seized. One dealer arrested actually ran his business in the Memorial Homes development. HUD OIG Special Agents worked with the New Brunswick Police, the Middlesex County Prosecutor's Office and the County Sheriff's Department in carrying out these operations.

### *New York*

In one of the biggest tactical operations to be conducted by the Narcotics and Guns Task Force, the fortified stronghold of one of the most extensive drug gangs in NEW YORK CITY was raided following a 3-month undercover investigation. HUD OIG Special Agents assisted the New York Police Department in the operation during which 11 individuals were arrested and 8 loaded handguns, \$10,000 in cash and 1,500 vials of crack cocaine were seized. The investigation was initiated after empty vials of "White Top" brand crack cocaine were discovered on rooftops of several New York City Housing Authority complexes in Harlem, Washington Heights, Inwood and the South Bronx.

Several other operations involving HUD OIG and the New York City Police Department resulted in 248

arrests in the Washington Heights, Morningside Heights and El Barrio districts of Manhattan. In one undercover operation against smoke shops and dealers operating across the street from three public housing developments, 11 people were identified as dealers and arrested. In another operation, three search warrants were executed on a known drug location where the main suspect, a member of the *Latin Kings*, controlled distribution and sales from a social club in Spanish Harlem, but cooked the crack in his friend's apartment in the Carver House public housing development. A "zero-tolerance" initiative resulted in task force members participating in executions of search warrants and undercover "buy and bust" operations in and around eight public and assisted housing developments.

In FAR ROCKAWAY, Operation CAPIT (Crimes Against Persons Investigative Team) was formed in response to a series of shootings at four public housing developments. More than 20 individuals have been hit with sniper fire. HUD OIG helped initiate the task force which is comprised of HUD OIG; New York Police Department's Transit Police, Housing Police, and Highway Patrol; the State Division of Parole Warrant Squad; New York City's Department of Probation and Sheriff's Enforcement Division; and the U.S. Army National Guard Narcotics Interdiction Unit. Assistance has been made available on an as-needed basis by the USSS, INS, U.S. Customs Service and the State Police. HUD OIG also served as the liaison between the U.S. Army and the New York City Police Department. As a result, U.S. Army helicopters, planes, vehicles, equipment and personnel will be made available to assist in this campaign against guns, gangs and drugs in and around public housing.

### *Ohio*

Operations in COLUMBUS resulted in eight arrests and over \$93,000 in cash seized. While working surveillance of a known mid-level supplier of drugs to public and assisted housing complexes, ATF and HUD OIG Agents saw the supplier leave another supplier and place a package in the trunk of a car. With the help of the Columbus Police Department, the vehicle was stopped for a traffic violation and a canine team alerted officers to the presence of narcotics and/or its residue in the trunk. Upon searching the trunk, officers found over \$88,000. As

a result of an earlier operation, a major supplier to mid-level dealers in public housing complexes, as well as to the *Short North Posse* street gang, pled guilty to aggravated drug trafficking.

One of the largest drug raids in BUTLER COUNTY history occurred when 113 people, including 29 juveniles, were arrested on narcotics and firearms violations that took place in and around the Butler Metro Housing Authority public housing developments. The year-long investigation was conducted by ATF; HUD OIG; Butler Metro Housing Authority; Middletown and Hamilton Police Departments; Butler County Prosecutor's Office, Probation Department, and Sheriff's Offices; Warren County Drug Task Force; and the State Adult Parole Authority, Department of Safety-Food Stamp Investigation Unit, Liquor Control, Mid-Atlantic Great Lakes Organization Crime Law Enforcement Network, Attorney General's Office and Clerk of Courts Office. The Common Pleas Judge at the County Jail said that "in his 17 years on the Butler County bench...there has not been a combined drug sweep to equal this one."

In HAMILTON, under the Ohio Nuisance Abatement law, HUD OIG assisted the U.S. Department of Agriculture OIG, Ohio Attorney General's Office and Ohio Food Stamp and Liquor Agents in closing down a grocery store that was located close to public and assisted housing. At the store, a known drug hangout, drugs could be sold or traded for food stamps. The neighbors were outside cheering in the 15-degree weather as the raid took place.

HUD OIG participated in several conferences in the state during this reporting period. The HUD Cleveland Field Office initiated a series of conferences covering the four major geographical areas of the state. Each involved the Midwest Assisted Housing Management Association and the affected housing authorities in each area. Neighborhood strategies and crime prevention, defensive spaces within a project and physical alternatives, evictions and other areas of concern to property management and the communities were on the agenda of each session. A HUD OIG Special Agent served on the panel and covered Operation Safe Home and gang identification techniques. In addition, in NEWARK, the Licking County Gang Task Force addressed law enforcement,

correction and probation officers on the movement of the gang element into rural communities after being ousted from developments in the cities. A HUD OIG Special Agent served on a panel that discussed gang intelligence and the impact of re-entry on gang members upon release from prison.

## ***Oklahoma***

In OKLAHOMA CITY, the Metro Fugitive Task Force, composed of Agents from HUD OIG, USMS, USSS, FBI, Oklahoma County Sheriff's Office, Oklahoma City Police Department, and the State Department of Corrections, arrested 103 residents of scattered Section 8 sites on drug and weapon charges, as well as assault and battery and fugitive warrants.

## ***Pennsylvania***

In response to increasing public and political concerns about the growing drug epidemic in a BRISTOL public housing development, an investigation was undertaken by DEA, HUD OIG and the Bristol Township Police Department. After 6 months, 50 arrest/search warrants resulted in the arrest of more than 80 individuals for the sale of illegal narcotics. Subsequent to the massive arrest effort, HUD OIG Special Agents coordinated post enforcement efforts with Bristol Housing Authority officials. These efforts included the termination of five Section 8 vouchers, the initiation of eviction proceedings against at least eight public housing residents, and a commitment by the Housing Authority to keep their residents informed of the final disposition of each defendant through a monthly newsletter.

In an effort to help foster a better working relationship within the PITTSBURGH community, HUD OIG hosted a 2-day seminar on public housing matters. Approximately 110 public housing, state, county and local police officers involved in the public housing environment attended.

In PHILADELPHIA, HUD OIG participated on the Southeast Pennsylvania Planning Action Committee. This committee was formed to involve law enforcement representatives as positive role models and promote alternative lifestyles to drugs and violence for inner city youth. The committee is

comprised of the U.S. Attorney's Office, U.S. Probation Office, DEA, Philadelphia Police Department, and Pennsylvania National Guard. The first project is a martial arts/fitness demonstration at a local high school. Other initiatives include computer literacy training and camping/survival weekends.

### ***Puerto Rico***

Sixty members of a criminal organization were federally indicted in SAN JUAN for the distribution of cocaine in San Juan, New York City, and Miami, Florida. They were responsible for distributing over 9,500 kilograms and were the principal supplier of cocaine and heroin in Puerto Rico public housing developments. Special Agents from DEA, HUD OIG, ATF, INS, USSS, and the Puerto Rico Police Department conducted simultaneous arrest and search warrants in the three cities, arresting 24 of those indicted.

In BAYAMON, as result of a joint investigation by HUD OIG, DEA, and the Puerto Rico Police Department, 22 gang members operating a cocaine distribution organization in the Las Laureles public housing development were indicted for distribution. This organization was responsible for selling over 5 kilograms of cocaine in public housing developments.

### ***Rhode Island***

Operation Trifecta, a tri-city initiative, concluded its first 4 months of operations with the execution of 5 search warrants and the arrest of 47 individuals. The task force consists of HUD OIG, the Rhode Island Department of Attorney General's Strike Force (RIDAG), and PROVIDENCE and WOONSOCKET Police Departments. Trifecta is financed by three housing authorities — Providence, Woonsocket, and Pawtucket — with each supplying \$50,000 for a year's contract. This provides for two full-time staff, overtime for three police officers, and other enforcement and post enforcement expenses. HUD OIG manages daily operations. To date, Trifecta has identified over 60 defendants, purchased over \$6,000 worth of narcotics, and seized over \$13,000 in cash, 2 vehicles, 2 weapons and a night vision scope. As a post enforcement initiative, HUD OIG has requested and the RIDAG has agreed to attach a criminal "no trespass" order as part of the sentencing for each non-tenant arrested and convicted of criminal activity. The

Housing Authority is aggressively seeking eviction proceedings against residents who are convicted; they will also seek a civil "no trespass" order.

### ***Tennessee***

In conjunction with the Shelby County Sheriff Department's Narcotics Division, HUD OIG assisted in a 17-month investigation which resulted in more than 40 individuals arrested for over 128 felony violations. The investigation covered at least seven public housing developments under the jurisdiction of the MEMPHIS Housing Authority. One undercover operation culminated in the arrest of eight individuals and fugitive warrants being issued for five others. Community leaders identified five of the individuals arrested as the main crack dealers in the Horton Gardens development. In another operation, approximately 60 agents/officers took part in a predawn raid during which 11 individuals were arrested, including 1 Housing Authority employee.

Officers from the PARIS Police Department, Special Agents from the 24th Judicial District Drug Task Force and HUD OIG conducted a sting operation in the Vernon Place public housing development. The sting resulted in the seizure of cocaine, over \$2,700 in cash and a Cadillac. Three individuals, who were not public housing residents, were arrested and held without bond. One was found guilty of possession, one signed a plea agreement and testified against the others, and the third was bound over to the grand jury and remains in jail under a \$50,000 secured bond.

In NASHVILLE, the Safe Home Task Force, made up of ATF, HUD OIG, USSS, USMS, Postal Inspection Service, and the Nashville Police Department, arrested six individuals on a variety of drug and firearms violations. In one operation, the task force executed a search warrant on a tire shop where the owner was identified as running an organization responsible for distributing the prescription drug Dilaudid at the Sam Levy and James Cayce public housing developments. Undercover purchases of the drug had been made using food stamps, tires that were reportedly stolen, and cash. Seized during this operation were several firearms, 7 vehicles, about 600 tires, \$11,500 in cash, food stamps, computers, and financial records.

## Washington

A controlled buy of drugs led to the arrest and conviction of a Section 8 tenant and her friend. Each was sentenced to time in prison and probation and the tenant was also ordered to perform over 200 hours of community service. The buy was conducted by the TACOMA Violent Crime and Major Offenders Task Force that includes HUD OIG, FBI, ATF, and the Tacoma Police Department.

In an effort to better analyze crime data in and around HUD funded housing, HUD OIG staff initiated a task force effort with HUD program offices in the Northwest Alaska District Office jurisdiction to share HUD OIG mapping software/hardware that create maps of existing data bases. This joint effort is expected to be the most cost-effective way for all offices to compile and code the HUD data geographically.

## Witness Relocation Efforts

Under Operation Safe Home, HUD OIG is working with HUD program and local housing authority personnel to relocate individuals and families whose lives are in jeopardy because they are providing information on criminal activity or are testifying as witnesses and fear reprisal. To date, HUD OIG has facilitated the relocation of 228 individuals/families. During this 6-month reporting period alone, 45 individuals/families were relocated. Examples of relocations Special Agents facilitated during this period include the following:

- ➔ A local police department contacted HUD OIG about the relocation of a public housing family. The children had witnessed an assault and subsequent murder by a gang. Arrangements were made for the local housing authority to provide a Section 8 certificate and for another housing authority to accept the certificate, in order to ease the transition from one housing authority to the other.
- ➔ Threats to kill a witness' family led the U.S. Attorney's Office to seek relocation assistance through the HUD OIG. The witness is providing testimony against numerous members of a prominent gang who were indicted on drug trafficking charges.

- ➔ Two families were relocated at the request of the FBI and local police because members of the families provided critical information about an ongoing drug operation. They received death threats after the information and testimony they provided caused several drug dealers in the public housing developments to be arrested.
- ➔ A HUD owned home was secured for a witness to several homicides. The "safe house" was retained and used for the duration of the homicide investigation and subsequent trials. The entire process lasted approximately 1 year. Five murder suspects were charged, convicted and sentenced — each to life in prison. The families have since been assisted by local authorities, obtained employment and are no longer dependent upon social service agencies.
- ➔ A witness who provided information concerning a gang suspected of shootings and cocaine trafficking around assisted housing developments was relocated with HUD OIG assistance. Prior to becoming a witness, the witness was shot and crippled by gang members.

## Combating Fraud in Public and Indian Housing Administration

Fraud and abuse in the administration of HUD's Public Housing Programs erode public support and detract from the scarce resources available to provide better living conditions for residents. While most of the 3,400 public and Indian housing authorities (PHAs) across the country are well managed, HUD OIG audits and investigations continue to disclose a significant number of instances of wrongdoing.

HUD OIG has adopted an additional approach for identifying fraud and abuse. Probes, designed to quickly survey PHAs for indicators of embezzlement, bribery, kickbacks, bidding irregularities, false claims, conflicts of interest and other instances of program abuse, are being used in addition to more time-consuming formal audits.

Since the announcement of Operation Safe Home, the federal commitment to investigate and prosecute fraud in public housing administration has resulted in an increase in arrests and convictions for crimes such as those mentioned above. Over the 2 years since Operation Safe Home began, the results of HUD OIG's efforts to combat fraud in Public Housing Programs are as follows:

Activity	1st Year of Operation	2nd Year of Operation
Indictments	45	50
Plea Agreements/ Convictions	22	51
Sentences Imposed	49 months	554 months
Fines/Restitutions	\$175,000	\$784,970

The following are examples of results achieved during this reporting period:

### ***District of Columbia***

The joint HUD OIG/FBI investigation, initiated in 1994, of the DC Housing Authority (DCHA) concluded with the conviction and sentencing of the two remaining individuals who were part of the embezzlement scheme that diverted funds from DCHA. An employee took action that caused the second defendant to be issued checks as a landlord for nonexistent tenant subsidies that were sent to a nonexistent address. When the checks were returned, the two individuals cashed the checks and split the money. The employee was found guilty of theft and sentenced to 3 years probation and restitution of \$32,723. The landlord pled guilty to one count of attempted theft and was sentenced to 3 years probation and restitution of \$9,861.

### ***Georgia***

A BLAKELY Housing Authority employee, the former maintenance foreman and a local contractor were sentenced for submitting false statements to HUD. In a scheme to illegally obtain money, the employees formed a shell company with the contractor to do renovations on units under the Housing Authority's jurisdiction. Funded through the Housing Authority by a Comprehensive Improvement

Assistance Program grant, the payments for work that was never done were shared by the employees and the contractor. One employee was sentenced to 2 years incarceration and ordered to relinquish his claim to over \$6,700 in retirement benefits accrued since he began working. The foreman received 3 years and was fined \$500. The contractor was sentenced to 3 years incarceration and fined \$1,000. This was a HUD OIG investigation.

### ***Maryland***

Two individuals were sentenced for their part in corruption at the Baltimore Housing Authority (BHA), which has been under investigation by the FBI and the HUD OIG Offices of Audit and Investigation. The first individual, a contractor, was convicted and sentenced to 1 year in prison for paying bribes to a BHA employee in order to receive repair work under the BHA Vacancy Special Funding Program. The second, a former BHA employee, admitted to participating in a scheme to accept illegal gratuities in return for preferential treatment and was sentenced to 4 months incarceration, 3 years probation, and 100 hours of community service, and fined \$720. To date, 15 individuals have been found guilty and sentenced.

### ***Michigan***

Two former DETROIT Housing Department officials and two of their associates were charged with bribery, conspiracy and making false statements. The officials, a former Section 8 housing administrator and former Section 8 employee, and their associates solicited bribes and personal favors from individuals who did not qualify for Section 8 assistance, in exchange for Section 8 certificates and vouchers. Both officials were fired by the Director of the Housing Department following the joint investigation by the Detroit Police Department, HUD OIG and the FBI.

### ***Nebraska***

As a result of a HUD OIG audit and further investigation into cash shortages, an employee of the WINNEBAGO Indian Housing Authority pled guilty to embezzling more than \$10,000. The audit report stated that poor internal controls had permitted a cash shortage of more than \$27,000. Also, the Northern

Plains Office of Native American Programs issued a 1-year limited denial of participation against the employee.

### ***New Jersey***

A former leased housing specialist who administered the Section 8 Rent Subsidies Program for the IRVINGTON Housing Authority was sentenced to 90 months in federal prison and ordered to pay \$345,000 in restitution for stealing approximately \$350,000 and then laundering the money through various bank accounts. The specialist gave subsidies to people who were not entitled to receive them and then demanded kickbacks. The kickbacks were concealed by writing descriptions such as “services rendered,” “vacation pay,” or “payroll” on the checks. These checks were then laundered through bank accounts of other individuals.

### ***Puerto Rico***

Following a HUD OIG/FBI investigation, the director of the DORADO Housing Authority was charged with mail fraud and embezzlement for his part in a scheme in which five landlords defrauded the Municipality of Dorado. The landlords received payment for phantom tenants and kept one-third of the proceeds; they split the remaining two-thirds with the director and a housing inspector. The director signed a plea agreement and agreed to pay \$36,000 in restitution. The inspector, who fraudulently signed home inspection reports prepared by the director, has already pled guilty and paid \$13,000 in restitution. The landlords have signed pretrial agreements and agreed to pay over \$42,000 in restitution.

### ***South Dakota***

A former employee of the Yankton Sioux Housing Authority in WAGNER was indicted for embezzling \$25,000 in housing authority funds. The employee pled guilty and was ordered to pay \$7,200 in restitution and serve 8 months in prison followed by 3 years probation. This action resulted from a HUD OIG audit review of Authority operations, followed by a HUD OIG/FBI investigation.

## **Combating Equity Skimming in FHA Insured Multifamily Housing**

FHA has \$47 billion in insured multifamily housing mortgages. Approximately \$8.3 billion is estimated to be at risk of default and HUD holds another \$5.7 billion in mortgages already defaulted. In FY 1995 alone, HUD paid \$365 million in multifamily housing mortgage insurance claims.

Equity skimming is the use of any part of the rents, assets, proceeds, income or other funds derived from FHA insured property for any purpose other than to meet necessary and reasonable expenses of the project. It plays a significant part in the realization of losses to the FHA mortgage insurance fund for multifamily rental properties. Apart from the financial losses that HUD incurs, equity skimming generally has other implications. Most notably, living conditions deteriorate for the residents as funds intended to maintain, replace or repair living units are diverted for the personal use of the owners.

Under Operation Safe Home, HUD OIG has retooled the strategies and techniques for aggressive pursuit of equity skimming violations. Too often in the past, HUD OIG audit reports, recommending action be taken by HUD to collect misused project funds, did not result in any meaningful action by the owners. This current campaign against equity skimming is designed to exploit civil enforcement opportunities; refer civil cases directly to U.S. Attorneys, rather than (as had been the practice) through HUD's Office of General Counsel; and empower HUD OIG auditors to make civil referrals without involvement by the HUD OIG Office of Investigation or the need for a formally issued audit report.

In support of this campaign, HUD OIG has also invested in awareness and education. Initially, we contacted all 94 U.S. Attorneys to alert them to the equity skimming statutes and the high potential for prosecutions/settlements. We have also periodically

arranged and participated in equity skimming conferences with Assistant U.S. Attorneys from DOJ's Affirmative Civil Enforcement (ACE) Unit. To facilitate identification of equity skimming cases, we developed a guide for HUD OIG auditors and are embarking on training for HUD program personnel. To foster acceptance of cases, we developed and are updating a reference guide for ACE personnel.

negotiated a settlement in which the project owners will repay over \$86,000 after improperly using project operating funds.

These efforts are producing results. Prior to Operation Safe Home, only a handful of multifamily equity skimming cases were successfully resolved each year. The results in the 2 years of Operation Safe Home are markedly different:

Activity	Cumulative	Value
Cases Identified	176	\$136,035,000
Cases Settled Prior to Litigation	43	\$28,822,365
Court Judgments	8	\$5,067,170
Criminal Convictions	10	\$2,145,725

Examples of the results produced by Operation Safe Home during this reporting period are described below.

### ***Alabama***

The owners of Hudson Arms Apartments, located in AUBURN, were ordered by a court judgment to pay HUD \$259,804 plus interest. This is equal to twice the sum of the improper transfers that were uncovered in a HUD OIG audit. The transfers were made after defaults on the HUD insured mortgages. After the audit, the properties were foreclosed with significant losses to HUD.

### ***Michigan***

In HUDSON, an owner was sentenced to 231 months in prison, 3 years probation, and ordered to pay over \$235,000 in restitution for stealing housing assistance payments intended for the maintenance and management of Woodruff Estates.

Following a HUD OIG audit of the Harbors Health Facility in DOUGLAS, the Assistant U.S. Attorney

## ***Missouri***

A settlement agreement was executed and a consent judgment was signed by the owners of French Village Apartments in KANSAS CITY, in which the owners agreed to pay HUD \$90,000 plus interest. This was in response to a complaint filed by the DOJ, based on a HUD OIG audit and subsequent investigation.

In another case in KANSAS CITY, the president of Glendale Apartments was sentenced to 21 months in prison, 3 years probation, and ordered to pay \$1,460,550 in restitution after pleading guilty to skimming rents from the HUD insured project between 1989 and 1992.

## ***Ohio***

At the conclusion of a HUD OIG audit of the Broadview Health Center in COLUMBUS, the owner refinanced the project with a conventional mortgage and canceled the FHA mortgage insurance. The audit showed that the owner received \$328,800 of project funds in violation of the Regulatory Agreement; the funds were distributed when the project was not in a surplus cash position. Also, more than \$48,000 was paid for expenses that did not relate to the project. The refinancing of the mortgage protected HUD against future losses that may have resulted from the owner's actions. (Report No. 96-CH-212-1805)

## ***Texas***

In SAN ANTONIO, the U.S. Attorney entered into a settlement agreement with a project management agent to reimburse HUD and affected projects \$272,113, including \$35,000 in audit costs. As part of Operation Safe Home, HUD OIG reviewed the agent's management of 27 mostly nonprofit owned projects, including 4 that had Section 8 rental assistance payment contracts with HUD. The projects were located in Texas, Oklahoma and Missouri. Based on the coordinated efforts of the U.S. Attorney, HUD OIG, HUD General Counsel and program staff pursuing this case, the management agent agreed to settle the claims in lieu of litigation.

## ***Virginia***

The owners of Henrico Country Club Apartments in RICHMOND paid HUD \$550,389 based on a HUD OIG audit that identified over 100 unauthorized withdrawals of project funds and unsupported/ineligible costs charged to the project since 1992. The owner diverted the project rent money and failed to pay the mortgage. HUD took over the operation of the project in August 1995.

A HUD OIG audit of the Bristol House in BRISTOL disclosed that the owner incurred ineligible costs totaling over \$268,000. Improper transactions included unauthorized withdrawals, management fees, and owner costs. Bristol House was foreclosed for nonpayment of the mortgage prior to the completion of the audit. Because the foreclosure sale satisfied the entire debt due HUD, no actions were taken on the audit findings. However, the HUD OIG recommended that debarment actions be taken against all those involved in the mismanagement of the Bristol House to prevent their future participation in HUD programs. (Report No. 96-PH-212-1010)



# Audits

In addition to efforts in assessing HUD program design and execution issues and reinvention progress, along with Operation Safe Home accomplishments, the OIG continued its coverage of HUD operations through its audit program. During this reporting period, the Office of Audit issued 4 reports on internal HUD operations and 27 reports on grantees and program participants. Cash recoveries, including those obtained under Operation Safe Home, amounted to \$17.2 million, with another \$30.9 million in commitments to recover funds.

Some of the more significant audit results include:

- ➡ recommended guidance on the use of savings from Section 8 bond refundings, which will save millions of dollars over the life of housing assistance payments contracts;
- ➡ recommendations to protect HUD's interests in insured nursing homes;
- ➡ a finding that HUD awarded \$87.6 million to ineligible or questionable projects by not complying with the HUD Reform Act;
- ➡ a finding that a contractor was paid more than \$822,000 for lead-based paint abatement activities that were not performed according to contract terms; and
- ➡ a review that found HUD does not have effective controls over software maintenance.

## Multifamily Housing Programs

HUD administers several Multifamily Housing Programs. In addition to projects with HUD held or HUD insured mortgages, the Department owns multifamily projects acquired through defaulted mortgages. It also subsidizes rents for eligible low-income households living in multifamily housing. During this reporting period, OIG audits focused on Savings from Bond Refundings; Multifamily Project Financial Statements; Owners and Management Agents; Insured Nursing Homes; the Housing Development Grant Program; and Financial Management Controls.

## Savings from Bond Refundings

To finance Section 8 assisted projects, state housing finance agencies and local public housing agencies have issued tax exempt bonds, the interest on which is exempt from federal income taxes. During the late 1970s and early 1980s, interest rates rose to unprecedented levels, making it difficult to develop feasible projects within the maximum rents allowed by HUD. In 1981, HUD created the Financial Adjustment Factor (FAF), which, in effect, increased Section 8 subsidies to enable projects to be built during periods of high interest rates. Housing agencies agreed to make their best efforts to refund bonds at HUD's request when interest rates decreased. In 1988, HUD and OMB agreed that refunding would be permitted to go forward on a tax exempt basis. In addition, the Steward B. McKinney Homeless Assistance Amendments Act of 1988 authorized housing agencies to share in the savings from refunding, and required the savings to be used for providing decent, safe, and sanitary housing for very low-income families or persons.

As of May 1995, about 300 state and local housing agencies had refunded bonds that financed Section 8 FAF projects. The refundings will save over \$1.1 billion over the life of the Section 8 Housing Assistance Payment (HAP) contracts. About \$135 million of the savings have been realized to date by HUD and housing agencies. An OIG review of 28 housing agencies, with 75 percent of the savings to date, found that, for the most part, agencies are using

or planning to use the savings from the refunded bonds in accordance with the McKinney Act. However, HUD does not always receive or properly account for its share of the savings, which is about \$575 million to be collected over the life of the HAP contracts. Specifically, HUD does not always earn and collect interest earned on HUD's share of the savings while it is held by the trustees. In addition, HUD does not have adequate controls over how housing agencies use their savings, and has not entered into agreements with some housing agencies concerning how they use and report their use of the savings. These problems are caused by vague or nonexistent requirements, a lack of communication, staffing constraints and a lack of a finalized control strategy.

This is not the first time we have reported problems with HUD's controls over savings from Section 8 bond refundings. In our Semiannual Reports to the Congress for the periods ending September 30, 1992, and March 31, 1993, we reported similar problems and made recommendations for corrective action. In September 1992, former HUD program administrators reported to us that action was already being taken to establish an effective accounting for bond refunding savings. In September 1993, our Semiannual Report to the Congress reported that unresolved issues in the area of Section 8 bond refundings were allowing millions of dollars of excessive Section 8 subsidies annually. At that time, the Assistant Secretary for Housing agreed to form a task force to assess the implications of and procedures necessary to implement changes in this area.

Our current audit recommended that HUD formalize its procedures on the use of the savings and notify agencies of any ineligible uses, establish procedures for obtaining interest earned while savings are held by a trustee, establish controls over how agencies use their savings, and execute refunding agreements with all appropriate agencies. The improvements recommended should, when implemented, give HUD greater assurance that the savings from bond refundings are used in accordance with the McKinney Act requirements, and that HUD will receive all the savings it is due. The Assistant Secretary for Housing and the Chief Financial Officer generally agreed with the findings and recommendations contained in the audit report. (Report No. 96-SE-119-0002)

## Multifamily Project Financial Statements

An OIG review found that the Illinois State Office Multifamily Asset Management Division was adequately utilizing the information provided as a result of audited financial statement reviews performed by an independent contractor. HUD requires project owners of HUD insured multifamily projects to submit annual audited financial statements to HUD. Beginning in 1993, HUD entered into a nationwide contract with this contractor to perform reviews and analyses of the annual audited financial statements. The contractor sends the results of their reviews to the appropriate HUD offices for follow-up.

The Illinois State Office addressed all of the issues identified by the contractor during its 1993 and 1994 reviews, sent follow-up letters to project officials for resolution of the issues, and did not close their follow-up actions until all issues were properly addressed by the project officials. (Report No. 96-CH-111-0801)

## Owners and Management Agents

The OIG has been reporting for many years violations of the Regulatory Agreement by owners and management agents of multifamily housing projects. These violations negatively impact on the residents as projects deteriorate both physically and financially. During this reporting period, audits continued to disclose these violations. The cases below are in addition to those addressed in the discussion of Operation Safe Home.

An OIG review disclosed that project rents at a nonprofit 210-unit project in ALLSTON, MA, were held at artificially low levels because rent increases were not requested. As a result, the project, which now needs in excess of \$3 million in repairs, does not have the necessary funds to pay for the repairs. We found that current rents were substantially below fair market rents in the area. In addition, due to the low rents, much of the Section 8 assistance available to the project had not been utilized; the Section 8 contracts will expire within the next 3 years. Our analysis showed that the project could implement

about a 40 percent rent increase without affecting a majority of the residents, since they would be protected by the Section 8 subsidy. Such an increase should provide sufficient funds for repairs and lessen HUD's insurance risk. The Massachusetts State Office agreed with our analysis and immediately instructed the owner to file for a substantial rent increase. (Report No. 96-BO-212-1802)

The OIG reviewed operations at a 272-unit apartment complex in CHICAGO, IL, to determine the reasons for the project's poor physical condition. The owner defaulted on the mortgage in 1981, and the mortgage was assigned to HUD. In 1984, HUD gave preliminary approval to a workout agreement to give the project an opportunity to bring the mortgage current. Completion of the agreement was contingent on HUD's approval of a change in ownership. In addition, the preliminary workout agreement provided that payments to the reserve for replacement fund would be waived until completion of the final agreement. However, HUD did not approve the final agreement because one of the principals proposed as a new owner was suspended from participation in HUD programs. The project currently needs approximately \$5.3 million for project rehabilitation. However, because the project has no reserve for replacement or excess operating funds available, it will become increasingly difficult for the owners to properly rehabilitate the project. Specific causes for the lack of funds include: the project has received only one rent increase in 6-1/2 years, due at least in part to a poor working relationship between the former HUD Asset Manager and the management agent; the project's annual insurance premiums appear excessive; two units were destroyed by fire and have not been rehabilitated and made income-producing because of inadequate insurance settlements; the project has been unsuccessful in dedicating its streets to the City of Chicago due to lack of follow-up, and has therefore incurred costs for upkeep of the streets and snow removal; the management agent's annual fee is excessive; and vacancies have increased.

Because this project presents a unique situation that is in need of an untraditional and immediate solution, the audit report presented a number of options to address the situation. In addition, the audit recommended that HUD develop and implement a strategy for improving the financial and physical

condition of the project, or divest itself of the project. (Report No. 96-CH-212-1804)

An OIG audit found that a PITTSBURGH, PA management agent generally managed and maintained HUD insured projects as required. However, the agent used funds from 11 HUD insured projects to pay salaries which should have been paid from the management fee, inflated the cost of materials, labor and delivery fees and charged the costs to the projects, overcharged the Flexible Subsidy Program for employee salaries, and failed to comply with all occupancy and procurement requirements. These deficiencies resulted in ineligible and unsupported costs of \$455,000 and \$73,500, respectively. The audit recommended that the agent repay ineligible costs to the projects and excess housing assistance payments to HUD, justify the unsupported costs and comply with requirements governing management activities, procurement and occupancy. (Report No. 96-PH-214-1005)

Although a management agent in ROANOKE, VA, generally managed HUD insured projects as required, it claimed and received improper management fees and paid owner costs out of project funds. This caused the projects to incur nearly \$260,000 in ineligible costs. The agent also billed and received payment for ineligible and unsupported Section 8 claims, and failed to disclose all business with an identity-of-interest firm. An OIG audit recommended that the agent repay all ineligible costs to the projects and offset Section 8 claims against subsequent billings, justify to HUD the eligibility of unsupported Section 8 claims, and justify that laundry services provided by the identity-of-interest firm were competitive and not excessive to the projects. (Report No. 96-PH-214-1001)

An OIG audit of a DALLAS, TX agent managing HUD insured properties reported numerous instances of violations of the Regulatory Agreement and HUD requirements. Specifically, the agent made over \$93,000 in unauthorized distributions to the partners of three projects, failed to remit \$260,350 in residual receipts to the mortgagees of three projects, disbursed over \$78,000 in project funds for ineligible and unsupported accounting, legal and management fees, diverted \$57,500 in operating funds from one project to the owner, improperly implemented an automated Tenant Rental Assistance Certification System, and

did not properly compute excess rental income on Section 236 projects. The audit recommended that the agent be required to repay all ineligible costs and any diversions, and implement controls to ensure future adherence to HUD requirements. Should the agent refuse to repay monies owed the projects or otherwise comply, HUD should consider administrative sanctions and civil action. (Report No. 96-FW-214-1001)

A management agent in WINSTON-SALEM, NC, charged an estimated \$317,200 in excessive front-line expense fees to 41 HUD projects. An OIG audit reported that the fees were excessive because the agent duplicated costs for bookkeeping services in fees charged to the projects, reducing money available to pay operating expenses and mortgage payments. Eight of the projects defaulted on their HUD insured mortgages, and the mortgages have been assigned to HUD. The audit recommended that the agent be required to repay HUD the excessive fees paid by the projects whose mortgages were assigned to HUD, reimburse the other projects for excessive fees, and assure that project records are appropriately adjusted. (Report No. 96-AT-214-1804)

An OIG audit found that a project owner in YORK, PA, improperly withdrew over \$274,000 in distributions from project operating funds. The general partner stated that he was not aware that distributions could not exceed surplus cash. As a result, funds needed to pay the project's normal operating costs were not available. In addition, because the project's security deposit account was underfunded, security deposit reimbursements had to be paid from the project's operating account. The audit recommended that the improper distributions be reimbursed and that the security deposit account be fully funded. (Report No. 96-PH-212-1002)

Two multifamily developments with the same general partner in LINCOLN and AUBURN, CA, were managed by an identity-of-interest company. According to an OIG audit, for one development the general partner made, or caused to be made, misrepresentations to HUD to inflate project income and tenant occupancy, and for the other development, received distributions of at least \$187,270 in assets and income greater than the maximum permitted. Since these conditions were not disclosed in independent audits of the developments, the OIG filed a complaint with the state board of accountancy and

recommended that HUD debar the public accountant responsible for performing substandard audits. The OIG subsequently notified the public accountant that debarment action would be taken if written justification or request for an appeal was not received by May 15, 1996. (Report No. 96-SF-212-1004)

An OIG review disclosed that an agent in LOS ANGELES, CA, obtained project funds for itself by falsifying invoices to inflate a vendor's actual charges, improperly used project funds to pay a project coordinator to prepare an evidence package in support of allegations against a former management agent, and had no support, or inadequate support, for some amounts paid to outside vendors and to itself. As a result, project funds were unnecessarily depleted and neither the project owners nor HUD can be assured that funds were spent for appropriate expenses. We recommended that the agent be required to repay the ineligible expenses and any other expenses that cannot be shown as necessary and reasonable, and that the agent's fitness to manage HUD assisted properties be evaluated and the firm terminated if appropriate. (Report No. 96-SF-214-1801)

## **Insured Nursing Homes**

The OIG reviewed operations of a California based nonprofit owner and its two HUD insured nursing homes located in WASHINGTON STATE. In October 1989, HUD insured the nursing home mortgages for \$1,979,500 and \$700,000, respectively. The owner used about \$1.4 million of one home's mortgage proceeds and \$390,266 of the other's to pay off previous indebtedness on the projects, and subsequently sought Chapter 11 bankruptcy protection. In December 1992, while under bankruptcy protection, the owner defaulted on the mortgages. After paying off the insurance claims and selling the nursing homes, HUD's losses totalled over \$1.9 million.

Our current review found that HUD's interests in the mortgages were not adequately secured and raised concerns that HUD may face increasing risk in regard to its other insured nursing homes. To better protect itself, we recommended that HUD not waive the sole asset requirement unless HUD's interests are adequately protected; ensure that mortgagees properly file Uniform Commercial Code documents; ensure

that appropriate language is used in security agreements and financing statements; actively pursue legislation which allows HUD to secure a project's bed authority; and direct HUD State Offices to require mortgagees to take action to create and perfect a security interest in project bed authority under applicable state law. HUD's Offices of Housing and General Counsel generally agreed with our recommendations. (Report No. 96-SE-119-0001)

## **Housing Development Grant (HDG) Program**

The HDG Program is intended to increase the availability of rental housing for lower-income people in areas where there is a severe shortage of such housing. Development grants are used to help private developers construct or substantially rehabilitate rental housing.

At the request of HUD's Assistant General Counsel in the Southeast/Caribbean District, the OIG audited the records of the general contractor of an HDG complex in AUBURN, AL. The audit concluded that \$564,318 in development fees claimed as project costs were ineligible costs paid to the owner's identity-of-interest affiliate. The fees were either for customary duties of the owner or for usual responsibilities of general contractors under a construction contract. In addition, the audit found that the owner needs to contribute an additional \$239,187 to meet the minimum HDG Program requirement. The audit recommended that the owner return the ineligible fees and reduce the project's costs by that amount, and make the additional required equity investment. (Report No. 96-AT-219-1002)

## **Financial Management Controls**

At the request of the Rocky Mountain Office of Multifamily Housing, the OIG reviewed a HUD insured multifamily project in DENVER, CO. The review disclosed that the Office of Multifamily Housing had effectively monitored and directed the project owner's progress toward resolving concerns previously raised by Multifamily Housing regarding the management and physical condition of the project. As a result, the

## Public and Indian Housing Programs

owner had taken, or was in the process of taking, appropriate action to resolve those issues. We did find, however, that the owner had not implemented an adequate system of financial management controls and procedures, as evidenced by the fact that over \$6,800 of forged and stolen checks that cleared the project's operating account went undetected for several months. The audit recommended that HUD provide technical assistance to the owner in establishing necessary controls over the project's books and accounts. (Report No. 96-DE-219-1004)

During this reporting period, we reviewed the Office of Public and Indian Housing's (PIH) administration of the Notice of Fund Availability Process (NOFA), various public and Indian housing authorities' (PHAs') overall activities, and their administration of the Low-Rent and Low-Income Housing Programs. We also reviewed other activities concerning lead-based paint contracting and allegations of misused PHA assets.

## NOFA Administration

An OIG audit of the Notice of Fund Availability Process as administered by PIH in WASHINGTON, DC, disclosed that PIH did not comply with Section 102(a) of the HUD Reform Act in processing the NOFAs for the 1994 funding cycle for the Major Reconstruction of Obsolete Housing Projects (MROP) and Family Investment Center (FIC) Programs. The audit report stated that not all of the selection criteria in MROP NOFA conformed to the statutory selection criteria for MROP awards, ineligible projects were funded, and the results of the selection process were not published. The audit report also stated that FIC awards were made based on ambiguous selection criteria published after the application deadline, and Youth FIC selection criteria were changed and the results not published. About \$73.2 million in program funds were awarded to the ineligible MROP projects. Another \$10.7 million was awarded to FIC projects using undefined selection criteria, \$2.7 million was awarded to states that had already received FIC awards, and \$1 million was inappropriately awarded to a Youth FIC applicant out of rank order.

We believe the problems occurred because inadequate attention was given to developing the NOFAs, training panel members, and supervising the processing, scoring, and selecting of applications. PIH did not agree that any of the funding decisions was inappropriate, that adding selection criteria to the statutory selection criteria for the MROP Program was inappropriate, or that any of the NOFA process did not conform to the HUD Reform Act. PIH did agree that the NOFA process for the FIC Program could be improved and that the MROP and Youth FIC selections had not been published in the Federal Register. The audit report recommended that all 1994 MROP, FIC and Youth FIC selections be reviewed and inappropriate funding be recovered and redistributed where possible. (Report No. 96-AO-101-1001)

## PHA/IHA Reviews

An OIG audit of the Pascua Yaqui Housing Authority, TUCSON, AZ, disclosed serious

management problems which are adversely affecting the Authority's ability to carry out its housing and grant programs, and ultimately, the welfare of its residents. These problems resulted primarily from a serious lack of staffing, frequent turnovers in top management, and a failure to develop appropriate policies and procedures and assign individual responsibility for carrying out activities.

Although it is in the fourth year of its Comprehensive Grant Program, the Authority has no real strategy for using over \$6 million it has been awarded, and has made very little progress in identifying and addressing the physical needs of its units or its very real management deficiencies. Additionally, the Authority expended over \$118,000 for ineligible or unsupported work items. Audits, needed to determine actual development costs, were not obtained on 10 projects which had been completed for up to 12 years. As a result, projects with over \$3.7 million of unused funds have not been closed out. Had these audits been completed, at least \$671,000 of these funds could have been used by the Authority for additional housing purposes.

In June 1995, the Southwest Office of Native American Programs (SWONAP) designated the Authority as an Operation Recovery housing authority. Under this program, SWONAP will provide the Authority with training and technical assistance in an effort to help it improve its operations. In addition, in January 1996, SWONAP designated the Authority as a high risk housing authority. As such, it will be subject to additional monitoring and approvals by HUD and required to develop a management improvement plan to overcome its management problems.

The audit recommended that HUD continue to designate the Authority as high risk. In order to address its management deficiencies, the Authority should perform an in-depth analysis of its current operations, identify staffing needs, and hire qualified personnel. All ineligible costs should also be repaid. (Report No. 96-SF-207-1002)

An OIG audit of the St. Croix Chippewa Indian Housing Authority in HERTEL, WI, disclosed that the Authority failed to maintain an adequate system of internal controls and obtained loans from the St. Croix Chippewa Tribe for assistance in administering the Mutual Help Program without getting HUD approval. In addition, the Authority spent over \$657,400 for the construction of an apartment

complex when the Authority was not a party to the construction contract, used \$206,300 to purchase land without obtaining HUD approval, and drew down \$482,340 of development funds in excess of actual needs. The audit report recommended, among other things, that the Authority establish and implement procedures to safeguard, control and maintain all accounting records to allow efficient access to them and provide documentation of expenditures or reimburse HUD for any unsupported and ineligible expenditures. (Report No. 96-CH-202-1006)

An OIG audit of the Housing Authority of BOWLING GREEN, KY, disclosed that the former executive director (ED) executed \$1.2 million of change orders to an existing contract, increasing it by 475 percent, instead of competitively bidding the work as required by HUD regulations and the Authority's own procurement policy. In addition, a review of 60 percent of the former ED's travel claims of \$4,100 concluded that he falsified documents and made bogus claims for about 27 percent of the costs reviewed. Most of the fraudulent claims had been detected during an independent auditor review. The board of directors forced the ED to resign in part because of prior reviews of his travel; he previously left another housing authority under a similar cloud, charging personal phone calls to the authority and using sick leave improperly. The audit report recommended that HUD issue a limited denial of participation against the former ED to preclude similar acts being committed at another housing authority. (Report No. 96-AT-204-1807)

## **Low-Rent and Low-Income Housing Programs**

The OIG audit of the federally assisted Low-Rent Housing Program at the Housing Authority of LAS VEGAS, NV, was addressed to the Acting Assistant Secretary for Public and Indian Housing and the HUD Chief Financial Officer in order to underscore the critical need for corrective action. The audit report recommends actions to improve current operations but also raises serious questions about past operations and the integrity of the audit resolution process, since the report contains deficiencies that the OIG has reported for more than 7 years. For example, in 1989 we reported material deficiencies which included \$6 million that the Authority needed to repay to HUD or

its own Low-Rent Program. To date, no repayment has been made. Although recent changes in Authority

## Single Family Programs

management and action indicate a willingness to improve operations, given the past history of the Housing Authority, HUD's attention is essential to achieve that improvement. (Report No. 96-SF-204-1003)

An OIG audit of Low-Rent Housing Program operations at the Housing Authority of the City of HOBOKEN, NJ, disclosed that the Authority complied with HUD regulations on housing quality standards, and housing units were well maintained and comparable to commercial units in the area. However, the report raised questions concerning the Authority's personnel and procurement practices. The Authority paid its executive director over \$171,400 in excess of his annual salary to buy out the last 9 months of his employment contract. However, 1 year after the buyout, he was still functioning in the same capacity. The Authority also awarded a legal service contract with a different scope of services and method of payment than the advertised request for proposals, and extended a contract without justification. The audit recommended that appropriate actions be taken against the Board of Commissioners for authorizing the buyout and that the eligibility of current and future legal fees be determined. (Report No. 96-NY-204-1001)

Although the Benton Township Housing Commission, BENTON HARBOR, MI, generally administered its Low-Income Housing Program according to HUD requirements, an OIG audit found some deficiencies. The Commission took excessive time to prepare and lease vacant units, and incorrectly certified its average turnaround time to HUD. As a result, the Commission did not maximize rental income or provide assistance to needy families as soon as possible. The Commission's travel policy was not comparable to local public practice, as required by HUD. In addition, the Commission charged excessive payroll costs to the Comprehensive Improvement Assistance Program. As a result, modernization funds were not always used for the

intended purpose of making physical and management improvements. The audit recommended HUD assure that the Housing Commission implements procedures and controls to correct these problems and prevent their recurrence. (Report No. 96-CH-202-1001)

## Lead-Based Paint Activities

An OIG review of contracted lead-based paint activities at the Allegheny County Housing Authority, PITTSBURGH, PA, found that the abatement of lead-based paint, for which a contractor was paid more than \$822,000, was not performed in accordance with the terms of the contract. Following the discovery of lead-based paint at the Authority's Burns Heights development, the Authority entered into a contract to demolish the interior and remove siding from 27 buildings. Contrary to contract specifications, floors and windows were not fitted with plastic barriers during demolition to minimize dust contamination, construction workers were not wearing protective clothing or respirators, and paint chips and construction debris were thrown into dumpsters on the premises. According to the audit report, construction workers stated that the contractor was dumping waste at an unauthorized site close to the development. In addition, it does not appear that the lead-based paint aspects of the demolition work were being monitored by either HUD or the Authority.

The audit report recommended that the Authority be instructed to determine if there are sufficient grounds to file a claim against the contractor, take soil samples at the demolition site to see if tenants are at risk and take any necessary preventive measures, hire environmental consultants to monitor future abatement work, and provide lead-based paint training to Authority staff. (Report No. 96-AO-209-1804)

The Single Family Housing Programs are designed to encourage loans to first-time homebuyers and others who might not qualify for conventional mortgage loans.

## Loan Origination

An OIG audit of an EASTPOINTE, MI mortgage company, a former loan correspondent and a direct endorsement mortgagee since December 1994, disclosed that the mortgage company did not

originate 9 of 15 HUD/FHA loans according to HUD requirements or prudent lending practices. Because HUD relied on the company's loan origination process, HUD assumed high risks when it insured the nine loans for \$229,050. The mortgage company did not properly verify the validity and reasonableness of expenses, properly verify rental payment histories, or ensure that its quality control reviews were conducted according to its quality control plan and HUD requirements. The audit recommended that HUD's Mortgagee Review Board take appropriate action against the company. (Report No. 96-CH-211-1003)

An OIG audit disclosed that a mortgage company in SMYRNA, GA, did not accurately disclose to borrowers the actual costs associated with the settlement of refinancing their home mortgages. In addition, charges for title insurance that appeared on the settlement statement were higher than the actual cost of the lender's insurance policy. The improper disclosure on the settlement statement is a direct violation of the Real Estate Settlement Procedures Act of 1974 as well as HUD requirements. The company also disregarded the maximum fees allowable for the purchase of a home with federally related financing. The audit recommended that HUD's Office of Housing consider taking appropriate administrative action against the mortgage company, including the permanent withdrawal of its direct endorsement approval, and the possible debarment of company officials. (Report No. 96-DE-221-1003)

determining whether the resources expended for software maintenance are achieving the goal of keeping the application systems functioning and responsive to user needs. The control deficiencies in software maintenance expose HUD to high risks. Millions of dollars could be spent each year on application systems that are becoming obsolete and should be replaced. While the audit makes several specific recommendations, the recommendations contain two main themes — measurement and system owner responsibility. The recommendations are consistent with General Accounting Office "best practices." (Report No. 96-DP-166-0001)

The OIG audited the settlement claim submitted by a company for termination of its real estate asset management contracts in Connecticut, and found \$132,337 in unsupported costs. The claim, based on an indirect cost rate of 197.09 percent, was for \$200,940. After removing ineligible charges and expanding the allocation base to include the contractor's private business, we recommended a much lower indirect cost rate. In addition, based on the Office of Housing's independent assessment of an appropriate fee rate, we allowed a profit factor of 8 percent instead of the 15 percent proposed by the company. Using these rates, we calculated that the contractor would be entitled to only \$69,603. (Report No. 96-AO-321-1001)

## Administration

An OIG audit disclosed that HUD does not have effective controls over software maintenance. As examples, HUD cannot make informed decisions on system replacement or redesign because government and industry accepted classifications are not used to capture software maintenance costs. HUD cannot control the quality of software changes because needed data are not collected and analyzed. HUD cannot hold contractors accountable for the quality and costs of products and services provided because contractor performance standards have not been established. In addition, HUD lacks a performance measurement program to aid management in



# Investigations

The Office of Investigation plays a major role in carrying out the OIG's Operation Safe Home efforts, as discussed in Chapter 2. In addition, the Office of Investigation is responsible for pursuing allegations of irregularities or abuses in HUD's programs and activities, as well as violations of law or misconduct on the part of HUD participants and beneficiaries. During this reporting period, investigative efforts, including recoveries made, arrests executed, and indictments/convictions obtained under Operation Safe Home, resulted in 1,188 persons arrested for violent crimes, 373 persons indicted, 117 convicted, and cash and other recoveries of \$9.4 million.

Some of the more significant investigation cases resulted in:

- ➡ the sentencing of a contractor for overbilling on preservation and protection work;
- ➡ the arrest of an assisted housing complex owner for embezzling Drug Elimination Grant money;
- ➡ the forfeiture of \$800,000 to the government by the associates of an organized crime family for conspiracy involving \$25 million in plumbing contracts with the New York City Housing Authority; and
- ➡ the arrest and/or indictment, to date, of 47 persons for defrauding HUD of \$1.8 million.

## Public and Indian Housing Programs

Local public housing agencies and Indian housing authorities develop, own and operate public housing developments. In addition to financial assistance, HUD furnishes technical assistance in managing these developments. During this reporting period, OIG investigations disclosed instances of conspiracy, bribery, bid rigging, racketeering and extortion.

Three associates of the Gambino organized crime family in NEW YORK, NY, forfeited \$800,000 to the U.S. government following an Organized Crime Task Force investigation. The associates conspired to conceal the ownership of a plumbing contracting company by a convicted felon who had been debarred by HUD. As a result of false statements made to HUD by officers of the company, the company was awarded \$25 million in plumbing contracts with the New York City Housing Authority; the contracts were funded through HUD's Comprehensive Improvement Assistance Program. Previously, the associates diverted over \$1 million in funds obtained from these contracts and used the money to finance a 122-acre horse farm in Florida, complete with tennis courts, a swimming pool and a luxury residence. The horse farm and the company's office building in New York have been seized by U.S. Marshals.

The vice president of the debarred contracting firm was sentenced on bribery charges. The individual made a \$1,000 bribe to the assistant superintendent at a public housing development in return for his preferred consideration in a \$987,200 plumbing contract funded by HUD. The individual, previously convicted of mail fraud following another OIG investigation, has also been sued by HUD for \$125,000 in penalties pursuant to the Program Fraud Civil Remedies Act for making false statements on HUD Previous Participation Certification forms. The individual was sentenced to 3 years probation, fined \$5,000, and ordered to notify any government agency with which he seeks to do business that he has been convicted on felony offenses.

This Task Force investigation, which began in 1992, was conducted by the HUD and New York City Housing Authority OIGs, IRS, Florida Department of

Law Enforcement and the U.S. Attorney's Offices for the Northern District of Florida and the Eastern District of New York. Six individuals have been convicted in this case and subsequently debarred by HUD. The main subject of the investigation received 8 years and 2 months in federal prison.

The former president of Local 2 of the International Union of Carpenters and Allied Workers, who was also a convicted associate member of the Columbo Family of La Cosa Nostra, was given a final determination from HUD in reference to his debarment. He and five co-defendants conspired to control window installation contracts at the NEW YORK CITY Housing Authority (NYCHA). Through bid rigging, false statements, fraudulent estimates, racketeering, extortion and mail fraud, they obtained 26 window contracts worth an estimated \$20 million with the NYCHA. The contracts were funded by HUD through the Comprehensive Improvement Assistance Program.

The individual was debarred by HUD for 5 years after being sentenced to 5 years home detention and 5 years probation, and ordered to perform 20 hours of community service weekly for 5 years, pay \$10,000 in restitution, and sever all ties to labor organizations as well as members of organized crime. This was a joint Organized Crime Task Force investigation conducted by the FBI, HUD OIG, IRS Criminal Investigation Division, U.S. Postal Inspection Service and the NYCHA OIG.

Following an investigation by the HUD and Health and Human Services OIGs, a tenant/mortgagor was sentenced to 6 months home confinement, 3 years supervised probation, and ordered to pay \$2,500 in restitution for making false statements. The tenant falsified occupant information to the MEMPHIS, TN Housing Authority and submitted a false document to First Southern Mortgage in the mortgage application of her boyfriend. By not reporting her boyfriend's income, the tenant defrauded the Authority of more than \$10,000 in ineligible assistance. HUD suffered a loss of \$24,511 when the boyfriend defaulted on the FHA insured loan.

A MEMPHIS, TN Housing Authority (MHA) contract specialist, whose duties included advertising, accepting, and awarding MHA contracts, was indicted for soliciting kickbacks from a contractor doing business with MHA. With the help of a cooperating

contractor, the employee was recorded by video camera accepting two payments of \$1,514 and \$1,750. The payments were for awarding the contractor a \$175,000 rehabilitation contract. This was a HUD OIG/FBI investigation.

## Single Family Housing Programs

Instances of malfeasance by mortgagee personnel and brokers in the origination of loans and by speculators and investors in strawbuying and equity skimming continued to be disclosed during this reporting period. A strawbuyer is paid to act as the buyer of a property and then transfers the property to a speculator who eventually defaults on the mortgage. Equity skimming is the practice of taking rent receipts but not making the mortgage payments.

## Loan Origination

An investor in COLORADO SPRINGS, CO, entered into a settlement agreement with the Department of Justice for \$100,000 concerning seven fraudulently originated FHA insured mortgages. The investor used fictitious promissory notes to circumvent HUD's minimum equity requirement. This action resulted from a HUD OIG investigation.

In MISSOULA, MT, two related title service companies entered into a settlement agreement for \$66,000 with HUD and the Department of Justice concerning 39 fraudulently originated FHA insured mortgages. The title companies represented to FHA on the settlement statements that mortgagors had made the necessary down payments when in fact none were made. This action resulted from a HUD OIG civil investigation, following an FBI criminal investigation.

A former MEMPHIS, TN real estate investor pled guilty to false statement and bank fraud charges. The investor conspired with another individual to falsify a verification of employment in order for an individual to obtain an FHA insured loan. The property subsequently went into foreclosure and FHA suffered

a \$24,000 loss. The investor also conspired with a former HUD closing attorney to embezzle bank funds.

In a related matter, the same investor also pled guilty to paying a \$10,000 bribe to a former HUD Office Manager, who then became the Special Assistant to the Deputy Secretary for Single Family Housing, the Chicago Deputy Regional Administrator, and most recently the Deputy Executive Director of the Memphis Housing Authority. The bribe was in exchange for information contained in an internal HUD memorandum referring the activities of the investor for investigation. The memorandum reflected that the investor had fraudulently obtained FHA insured mortgages, which resulted in multiple FHA foreclosures. The investor paid the bribe to the closing attorney used by HUD in Memphis, who in turn provided the money to the HUD official. The investor pled guilty and testified at the former Office Manager's trial. The former official was found guilty of one count of conspiracy and one count of accepting a \$10,000 bribe. The closing attorney pled guilty to embezzling over \$80,000 in HUD funds. Both of these matters were investigated by the FBI and HUD OIG.

In a multiple count federal indictment, four real estate agents were charged with conspiring to defraud HUD in connection with a \$1.1 million mortgage fraud scheme in LONG ISLAND, NY. The agents, along with a mortgage company loan officer and others, caused the origination of fraudulent mortgages by providing false information. HUD losses to date exceed \$600,000. This is a joint ongoing investigation by the U.S. Postal Inspection Service and HUD OIG.

A former mortgage company official in BALTIMORE, MD, conspired with others to both submit and approve false documentation that was sent to HUD for FHA loan insurance. The official pled guilty to one count of conspiracy. A second defendant, a speculator, was sentenced to 4 months incarceration, 4 months home detention with an electronic monitor, 2 years probation, and 100 hours of community service. An additional co-conspirator is awaiting sentencing, and another has not yet been charged. The total loss to HUD is \$297,957. This was a joint FBI/HUD OIG investigation.

Based on a HUD OIG investigation, the U.S. Attorney in PHILADELPHIA, PA, on behalf of HUD, entered into a settlement agreement for \$5,000 with a

real estate broker. The broker accepted a percentage of title insurance charges from two attorneys to whom he had referred closing business, in violation of the Real Estate Settlement Procedures Act anti-kickback statute. The two attorneys involved previously agreed to reimburse almost 100 homebuyers involved a total of \$11,253.

As a result of a joint FBI/HUD OIG investigation in NORFOLK, VA, a speculator/contractor was sentenced to 3 years probation and fined \$1,000 for making false statements to HUD in order to obtain three FHA insured loans. The contractor was debarred by HUD in August 1995 following his conviction.

In TAMPA, FL, three investors, who falsely certified that they had made the required down payments for HUD insured properties, were sentenced to 3 months house arrest, 5 years probation and ordered to pay \$209,400 in restitution. The defendants were previously charged with making false statements to HUD, bank fraud, conspiracy, money laundering, and mail fraud. The investigation was conducted jointly by the FBI and HUD OIG.

A WASHINGTON, DC tax preparer pled guilty to making a false statement to HUD following a Phoenix Task Force investigation. The Task Force, made up of FBI and HUD OIG Agents, reviewed FHA insured mortgage loans in the Northern Virginia area and discovered that the tax preparer furnished fraudulent wage and tax statements to mortgagors, enabling them to obtain FHA insured mortgage loans.

The former vice president of a VIRGINIA BEACH, VA mortgage company, who also operated a nonprofit organization assisting low-income persons in purchasing homes, pled guilty to theft of government property. A joint FBI/HUD OIG investigation determined that the defendant sold HUD and Department of Veterans Affairs (DVA) owned properties without a real estate license, and used part of the sales commissions he falsely received to provide subsequent homebuyers with their down payments. As part of the scheme, the homebuyers were required to obtain their mortgages from either the defendant's company or that of one of his friends. The defendant also opened a fictitious bank account in the name of a local real estate company which was to be used for the deposit of the HUD and DVA commission checks.

A real estate broker in SKIPPACK, PA, was sentenced to 1 day incarceration, 3 years supervised probation and fined \$2,500 for her part in a scheme to artificially inflate the sales prices of properties in order to obtain higher loan amounts from a mortgage company. Part of the monies were returned to the buyer for the down payment. The broker earlier pled guilty to bank fraud charges in connection with this scheme. This was a HUD OIG/FBI investigation.

A husband and wife in NORFOLK, VA, who were indicted for conspiracy and making false statements to HUD, surrendered to the U.S. Marshals Service in New Hampshire. The individuals were charged with falsifying various loan documents to facilitate their purchase of one property and the purchase of several other properties through strawbuyers. All of the properties went into default, causing a loss to HUD of over \$150,000. The individuals have been ordered to appear in court in Virginia. This was an FBI/HUD OIG investigation.

A TAMPA, FL investor, who conspired to submit false loan documents to obtain mortgages, was charged with money laundering. The investor purchased properties under the HUD Property Disposition Program and sold them at inflated prices. The investor signed a plea agreement and is expected to plead guilty at a later date. Additional defendants are expected to be charged. The investigation was conducted jointly by the FBI, HUD OIG, DVA, and IRS.

The HUD and Social Security Administration OIGs, AURORA, CO SWAT team, and Denver Metro Gang Task Force members executed two federal search warrants at two FHA insured single family homes. The homes were raided as part of an ongoing white collar crime/gang related investigation. Those living in the homes used fictitious social security numbers and credit cards to defraud area businesses. They also used fictitious social security numbers to obtain the insured mortgages on the homes which were raided. To date, three late model vehicles have been repossessed and various area businesses have placed claims against furnishings totalling thousands of dollars which were purchased illegally. Two subjects were arrested and federal indictments are anticipated.

In MIDLAND, TX, an additional 13 owners and officers of a mobile home dealership were charged with falsifying documents in order to obtain FHA

insured Title I loans for persons who would otherwise not have been eligible. Seventeen other individuals are awaiting sentencing as a result of this FBI/HUD OIG investigation into at least 120 loans.

Two LOUISVILLE, KY sellers of an FHA insured property pled guilty to one count of conspiracy to make false statements to HUD and were sentenced to 4 months home confinement, 3 years supervised release, fined \$8,000, and ordered to pay \$6,000 in restitution. The sellers conspired to conceal a financing arrangement between themselves and the purchaser to obtain an FHA insured mortgage. The property went into foreclosure and resulted in a HUD loss of \$18,279. This was a HUD OIG investigation.

Three investors in TAMPA, FL, who falsely certified that they had paid the required down payments, were each sentenced to 3 months home confinement, 5 years supervised release, and ordered to pay \$209,400 in restitution. The defendants had previously been charged with making false statements to HUD, bank fraud, conspiracy, money laundering, and mail fraud. The investigation was conducted by the FBI and the HUD OIG.

A \$66,000 settlement agreement was reached between two DENVER, CO title service companies and the Department of Justice and HUD. The title companies fraudulently originated 39 FHA insured mortgages by submitting documents stating that the mortgagors made down payments when they had not. This action resulted from a HUD OIG civil investigation following an FBI criminal investigation of the companies for false statements and equity skimming.

## Equity Skimming and Strawbuying

In a CHICAGO, IL strawbuying scheme, 11 HUD insured, fraudulently purchased properties went into foreclosure as a result of the actions of individuals who caused banks and other lending institutions to issue over \$1 million in mortgages and other loans based on false loan applications. The FBI/HUD OIG/Postal Inspection Service investigation led to the sentencing of four individuals. One individual was sentenced on 16 of 20 counts charging him with single family equity skimming. He received 48 months incarceration, followed by 5 years probation,

restitution of \$18,747 to affected homeowners, and an \$800 special assessment for his leadership role in the strawbuying scheme. The 48 months incarceration is to be served upon completion of a 20-month sentence he is currently serving for a prior equity skimming conviction. The second individual was sentenced to 1 year and 1 day in jail, restitution of \$15,000 to affected homeowners and a \$50 special assessment for his part in the scheme. The third and fourth individuals received 2 years probation, 400 hours of community service, and \$4,000 in restitution; and 3 years probation, 4 months work release, a \$1,000 fine and restitution of \$41,000, respectively.

A HUD OIG investigation led to the indictment of an investor on 13 counts of single family equity skimming. The investor assumed FHA mortgages, rented the properties through the NASHVILLE, TN Metropolitan Development and Housing Authority Section 8 Program, collected the monthly rental payments, and failed to make the mortgage payments. The investor assumed 22 properties, 14 of which have gone into foreclosure, resulting in a loss to HUD of over \$460,000.

A NASHVILLE, TN individual was indicted on equity skimming charges regarding 12 FHA insured properties that went into foreclosure. He collected rents but did not make the mortgage payments. The individual turned himself in to a U.S. Marshal and a HUD OIG Agent.

Two TAMPA, FL real estate brokers pled guilty to one count of conspiring to defraud the DVA and HUD, and six counts of making false statements. The brokers conspired with mortgagors and mortgagee officials to fraudulently sell DVA and FHA properties by assisting the mortgagors in submitting false mortgage applications. Another broker was indicted for falsifying the down payments made by strawbuyers and creating false income information which enabled the unqualified strawbuyers to obtain the mortgages. The investigation was conducted by the FBI, HUD and DVA OIGs and the IRS.

A former single family investor in SHREVEPORT, LA, was convicted of 1 count of equity skimming and 18 counts of mail fraud. His sentence includes 50 months in jail, 36 months probation, a \$950 special assessment and over \$1 million in restitution. This was a joint FBI/HUD OIG investigation.

A PALM BEACH, FL real estate agent was sentenced to 27 months imprisonment and 3 years supervised release after pleading guilty to one count of equity skimming and one count of conspiracy to defraud HUD and the DVA. The agent developed a scheme to defraud individuals who had purchased homes with HUD and DVA insured mortgages. He contacted homeowners whose properties were subject to foreclosure and then offered to purchase the properties under the guise of resolving their foreclosure suits and therefore avoiding an adverse judgment against them. The homeowners sold their properties to the agent and gave him a warranty deed, which he purposely did not record, so that he would not be liable for the mortgages. He then rented the properties and collected the rents until the properties went into foreclosure. The loss to HUD is over \$1.2 million and the loss to the DVA is over \$300,000. The HUD and DVA OIGs conducted this investigation.

## Section 8 Rental Assistance

Although most rental assistance recipients use their assistance for its intended purpose, OIG investigations have found that some circumvent program regulations by obtaining assistance under false pretenses.

Two Labor Department employees in NEW YORK, NY, were arrested on charges that they fraudulently received \$48,000 in public assistance, PELL grants, HUD rent subsidies, food stamps, and Medicaid benefits for which they were ineligible. One defendant is an investigator with Labor's Wage and Hour Compliance Division.

In the same case, a Food and Drug Administration consumer safety officer pled guilty to fraudulently obtaining over \$42,000 in HUD funded rental subsidy payments for which she was ineligible. The officer falsified rental assistance applications to the New York City Housing Authority, including forging her landlord's signature on housing assistance contracts. She also stole a \$2,400 subsidy check from the mail that was addressed to the landlord, falsely endorsed his name on the check and deposited it to her personal bank account.

In addition, an employee of the New York City Housing Authority pled guilty to fraudulently obtaining over \$17,000 in HUD rental assistance. The employee, who served as an administrative assistant, submitted false verifications of income and false recertification documents.

These actions resulted from a joint HUD Fraud Task Force composed of the HUD, Labor, Education, Social Security Administration and New York City Housing Authority OIGs, the U.S. Postal Inspection Service, the FBI and the U.S. Secret Service. To date, HUD Fraud Task Force investigations have resulted in the arrest and/or indictment of 47 persons for defrauding HUD of nearly \$1.8 million dollars. Court ordered restitution, fines, civil forfeitures and Program Fraud Civil Remedies Act penalties resulting from these cases have resulted in \$1.2 million recovered by the government.

A former tenant of a HUD assisted project in NEWPORT NEWS, VA, received a 5-year suspended sentence, 10 years probation, and was ordered to pay \$28,800 in restitution following her guilty plea to state charges of obtaining Section 8 assistance under false pretenses. A joint HUD OIG/Secret Service investigation determined that the tenant failed to report over \$137,000 in income between 1988 and 1994.

A MISSOURI Social Services public aid caseworker pled guilty to making false statements to HUD. The caseworker failed to report her true income to the St. Louis County Housing Authority when she omitted income from various sources, including her caseworker income, resulting in a \$19,204 loss to HUD. The OIG investigation began upon receipt of information from the Missouri Social Services Office of Investigation.

A HUD assisted resident in PASCO, WA, was sentenced to 1 year probation for making false statements to the Pasco Housing Authority concerning her household composition and income. She received approximately \$19,538 in housing assistance payments to which she was not entitled. This investigation was conducted by HUD OIG and the State Investigator's Office.

In MINNEAPOLIS, MN, a public housing resident was sentenced to 4 months incarceration to be

followed by 4 months home detention and 3 years supervised release, and was ordered to pay \$66,659 in restitution to the Minneapolis Housing Authority for his part in a fraudulent rental subsidy scheme. This was a HUD OIG investigation.

In PEORIA, IL, a former Section 8 tenant pled guilty to embezzlement and making a false statement to HUD. The individual failed to report her true income for 5 years, allowing her to fraudulently receive over \$42,000 in Section 8 subsidies. This was a joint HUD OIG and Postal Inspection Service investigation.

A former Section 8 tenant in AURORA, CO, pled guilty to two counts of theft. The tenant failed to report her true income to the Aurora Housing Authority and received HUD rental subsidies to which she was not entitled. In addition to being ordered to pay \$15,882 in restitution, she received a 4-year deferred judgement and sentence for the felony count and 1 year probation for the misdemeanor count. This investigation was conducted by HUD OIG and the Aurora Police Department.

A HUD assisted mortgagor in SPOKANE, WA, pled guilty to charges of theft of government property. She concealed her two live-in boyfriends, their income and one child on her yearly recertifications to continue eligibility for the mortgage assistance program. She received about \$17,400 in payments to which she was not entitled. This was an OIG investigation.

A public housing tenant in BRISTOL, VA, pled guilty to a federal charge of making false statements to HUD to receive housing assistance. In failing to report her employment since 1992, the tenant received an overpayment of more than \$12,000 in housing benefits. Eviction proceedings against the tenant have begun. This investigation, which was conducted by HUD OIG and local police, resulted from a proactive program of the Bristol Housing Authority and Police Department to eliminate fraud, crime, and disorder in their public housing community.

Following a HUD/OIG investigation, a co-conspirator of a former DENVER, CO Housing Authority employee pled guilty to embezzling more than \$10,000 in Authority funds. The former employee withheld Section 8 landlord checks and

deposited them into bank accounts of entities controlled by the co-conspirator. The employee previously pled guilty and has been sentenced.

## Multifamily Housing Programs

HUD insures mortgages to finance construction or rehabilitation of multifamily housing developments. Prevalent areas of fraud and mismanagement uncovered by OIG investigations include overbilling, embezzlement, theft and false statements.

Following an investigation by the FBI and the HUD OIG, a PHILADELPHIA, PA preservation and protection contractor for FHA foreclosed properties was sentenced to 6 months home detention, to be followed by 5 years probation and 300 hours of community service. The contractor overbilled for preservation and protection work, increasing the cost of debris removal by at least \$50,000 on 77 different properties. The contractor was also fined \$25,000 and ordered to make restitution of \$100,000 to HUD over a 5-year period. During this reporting period, two other contractors were sentenced in this case and fined \$40,000 and ordered to pay \$130,000 in restitution.

The owner of an assisted housing complex in EAST ST. LOUIS, IL, was arrested following a six-count indictment on embezzlement and theft of public money (four counts), and theft involving programs receiving federal funds (two counts). The owner diverted \$41,900 from a Multifamily Drug Elimination Grant to his personal use when he had a contractor performing work at one complex also perform extensive work at his residence in ST. LOUIS, MO. The owner then billed the work as though it had been performed during a second phase of repairs at the complex. This was a joint FBI/HUD OIG investigation.

The former executive director of one of the largest home attendant services in NEW YORK CITY was sentenced in U.S. District Court for fraudulently receiving \$41,000 in Section 8 funds. While serving as executive director of the home service, the individual forged employees' signatures, created bogus W-2's and verifications of income, and obtained Section 8 rent subsidy for which she was

ineligible. In addition, she embezzled some \$1,400 in Medicaid funds by creating false information, entering it into her company's computer, and issuing checks to herself. The former director was sentenced to serve 3 years probation and 4 months detention with an electronic monitoring device, and ordered to pay \$7,200 in restitution to HUD and a \$50 special assessment. This was a Fraud Task Force investigation conducted jointly by the FBI, HUD OIG, and U.S. Postal Inspection Service. To date, 47 individuals have been arrested and/or indicted as a result of Task Force efforts.

The former finance director of a HUD assisted project in PHILADELPHIA, PA, was sentenced for stealing project funds. He was ordered to pay \$32,000 in restitution. This was an effort involving the FBI and the HUD/OIG Offices of Audit and Investigation.

## Community Planning and Development

The Community Development Block Grant (CDBG) Program enables communities to carry out a wide range of activities directed toward neighborhood revitalization, economic development, and improved community facilities and services. Investigations found that CDBG funds were sometimes misused or not used as specified by HUD regulations.

The owner of a trucking company, who had a contract with the Municipality of SAN JUAN, PR, signed a civil agreement with HUD to pay \$1.4 million as part of his plea agreement. The owner, his company and four other defendants were previously indicted for submitting false claims to HUD to obtain CDBG funds. The defendants submitted false invoices reflecting reimbursement for fictitious deliveries to the San Juan landfill. The investigation was conducted by the FBI, HUD OIG and the Puerto Rico Office of Comptroller.

Following a joint FBI/HUD OIG investigation, a jury in CLARKFIELD, MN, found four individuals guilty of conspiracy and mail fraud in a case involving a CDBG loan. Two bank officials provided false information about matching funds to two other individuals who

used that information to obtain a \$282,000 CDBG loan which was not used for its intended purpose. One banker was sentenced to 33 months in jail, 2 years probation and \$5,000 in restitution. The second bank official received 10 months in jail and 2 years probation. The other two individuals received 23 and 21 months in jail, respectively, to be followed by 2 years probation and \$5,000 each in restitution.

A contractor in SUFFOLK, VA, pled guilty to one count of bank fraud stemming from his submission of false requests for over \$50,000 in construction payments to a federally insured bank. The bank served as the trustee for a CDBG funded rental rehabilitation project, and also provided the defendant with a construction loan for the project. HUD OIG provided both audit and investigative assistance to the FBI in this investigation.

A former CDBG consultant in the HARRISBURG, PA area pled guilty to falsifying payment certifications covering at least \$21,000 worth of rehabilitation work that was not performed. This was an OIG investigation.



# APPENDIX 1 - AUDIT REPORTS ISSUED

## Internal Reports

### Housing

96-AO-101-0001 Audit of Notice of Fund Availability Process, December 14, 1995.  
 96-SE-119-0001 Section 232 Nursing Homes Americana & Monticello Hall, November 13, 1995.  
 96-SE-119-0002 Review of Savings from FAF Bond Refundings, March 28, 1996.  
 3 Audit Related Memoranda.

### Administration

96-DP-166-0001 Controls Over Software Maintenance Must be Significantly Strengthened, March 5, 1996.  
 1 Audit Related Memorandum.

## External Reports

### Housing

96-AT-203-1001 Pender County Housing Authority, Section 8 Program, Burgaw, NC, October 16, 1995. Questioned: \$20,385.  
 96-AT-219-1002 Village at Lakeside, Development Fees Claimed, Auburn, AL, February 21, 1996. Questioned: \$564,318.  
 96-BO-214-1001 National Investments, Ltd., Management Agent, Johnston, RI, October 26, 1995.  
 96-CH-202-1001 Benton Township Housing Commission, Low-Income Housing Program, Benton Harbor, MI, October 5, 1995.  
 96-CH-221-1003 Erin Mortgage Company, Single Family Mortgage Insurance Program, Eastpointe, MI, October 26, 1995.  
 96-CH-202-1004 Henderson County Housing Authority, Section 8 Programs, Oquawka, WI, October 30, 1995. Questioned: \$12,389.  
 96-CH-202-1006 St. Croix Chippewa Housing Authority, Comprehensive Review, Hertel, WI, November 1, 1995. Questioned: \$1,400,981; Unsupported: \$688,815.  
 96-DE-207-1001 Omaha Tribal Housing Authority, Management of Cash Assets, Macy, NE, January 16, 1996.  
 96-DE-207-1002 Yankton Sioux Tribal Housing Authority, Management of Cash Assets, Wagner, SD, February 9, 1996.  
 96-DE-221-1003 City Wide Mortgage, Nonsupervised Mortgagee, Smyrna, GA, March 8, 1996.  
 96-DE-219-1004 California Park East Apartments, Multifamily Mortgagor Operations, Denver, CO, March 19, 1996. Questioned: \$982; Unsupported: \$982.  
 96-FW-214-1001 Credit Finance Corporation, Multifamily Management Agent, Dallas, TX, October 16, 1995. Questioned: \$575,644; Unsupported: \$288,540.  
 96-NY-204-1001 Housing Authority of the City of Hoboken, NJ, March 13, 1996. Questioned: \$188,958; Unsupported: \$17,482.  
 96-PH-214-1001 F&W Management Corporation, Multifamily Management Agent Activities, Roanoke, VA, November 20, 1995. Questioned: \$291,413; Unsupported: \$3,820.  
 96-PH-212-1002 Pine Hill Farms Apartments, Multifamily Project Operations, York, PA, November 27, 1995. Questioned: \$291,804.  
 96-PH-214-1003 Supportive Housing Management Services, Survey of Multifamily Management Agent, Clairton, PA, November 28, 1995.  
 96-PH-214-1005 Allegheny Housing Rehabilitation Corporation, Multifamily Management Agent, Pittsburgh, PA, January 17, 1996. Questioned: \$528,520; Unsupported: \$73,486.  
 96-PH-214-1013 Great Atlantic Management Company, Inc., Multifamily Management Agent Operations, Hampton, VA, February 16, 1996. Questioned: \$112,494; Unsupported: \$19,800.  
 96-PH-201-1015 Housing Authority of Baltimore City, MD, Special Report on Procurement Activities, March 19, 1996.  
 96-SE-207-1001 Chehalis Tribal Housing Authority, Comprehensive Improvement Assistance Program, Oakville, WA, October 31, 1995.  
 96-SF-212-1001 Walnut Ranch Apartments, Multifamily Mortgagor Operations, Dixon, CA, December 19, 1995.

96-SF-207-1002 Questioned: \$94,519.  
Pascua Yaqui Housing Authority, Tucson, AZ, February 13, 1996. Questioned: 772,316; Unsupported: \$185,863.

96-SF-204-1003 Las Vegas, NV Housing Authority, Low-Rent Housing Program, February 23, 1996. Questioned: \$830,652.

96-SF-212-1004 Harvest Oaks and Auburn Palms, Multifamily Mortgagor Operations, Lincoln, CA, March 29, 1996.

38 Audit Related Memoranda. Questioned: \$3,349,222; Unsupported: \$433,188.

## CPD

96-CH-241-1002 City of East Cleveland, OH, Community Development Block Grant Program, October 17, 1995. Questioned: \$466,726; Unsupported: \$375,613.

1 Audit Related Memorandum.

## Administration

96-CH-261-1005 Quadel Consulting Corporation, Washington, DC, October 30, 1995.

14 Audits Issued by Other Federal Auditors. Questioned: \$20,590; Unsupported: \$19,237.

## Miscellaneous

96-AO-321-1001 Termination Claim, Real Estate Asset Management Contracts, Washington, DC, March 15, 1996. Questioned: \$132,337; Unsupported \$132,337.

**TABLE A**  
**AUDIT REPORTS ISSUED PRIOR TO START OF PERIOD WITH**  
**NO MANAGEMENT DECISION AT 3/31/96**

APPENDIX 2

\*Significant Audit Reports Described in Previous Semiannual Reports

Report Number & Title	Reason for Lack of Management Decision	Issue Date/ Target for Management Decision
*94AT1012. Atlanta, GA Housing Authority, Management Operations.	OIG disagrees with program office position. Matter will be referred to the Deputy Secretary for decision by April 30, 1996.	03/11/94/ 05/30/96
*94FO0003. Audit of FY 1993 Consolidated Financial Statements.	OIG has referred the matter to the Deputy Secretary for decision. The final decision is expected by May 15, 1996.	06/30/94/ 05/15/96
*95FO0004. Audit of FY 1994 Consolidated Financial Statements.	OIG has referred the matter to the Deputy Secretary for decision. The final decision is expected by May 15, 1996.	08/28/95/ 05/15/96

\* Significant Audit Reports Described in Previous Semiannual Reports

**TABLE B** **APPENDIX 2**  
**SIGNIFICANT AUDIT REPORTS DESCRIBED IN PREVIOUS SEMIANNUAL REPORTS**  
**WHERE FINAL ACTION HAS NOT BEEN COMPLETED AS OF 3/31/96**

Report Number	Report Title	Issue	Decision	Final Action
83CH1051	Detroit MI Housing Department, Public Housing Agency Activities	08/26/83	11/15/84	Note 1
89SF1004	Las Vegas NV Housing Authority, Low-Income Housing	1/20/89	7/18/89	Note 1
90AT1008	Atlanta GA Community Development Block Grant Program,	03/09/90	03/30/93	Note 1
90PH1014	Delaware County CDBG Program, Partnership for Economic	06/12/90	11/01/90	Note 1
91TS0001	Limited Review of HUD's Process for Determining Undue	10/19/90	10/01/91	Note 1
91TS0006	Multiregion Audit of Interim Financing (Floats)	01/17/91	06/07/91	Note 2
91PH1005	Pittsburgh PA Housing Authority, Comprehensive	03/21/91	09/20/91	Note 1
92KC1801	St. Louis MO Community Development Agency, Purchase of	10/22/91	03/12/92	Note 1
92PH1003	Baltimore MD Community Development Block Grant Program	03/04/92	06/23/92	Note 1
92TS0007	Audit of Fiscal Year 1991 Financial Statements, Federal	03/27/92	09/29/92	Note 2
92TS0009	Multiregion Audit, Special Economic Development Activities	04/29/92	04/22/92	Note 2
92AT1014	Jacksonville FL Department of Housing and Urban	06/12/92	10/06/92	Note 2
92TS0011	Audit of Fiscal Year 1991 HUD Consolidated Financial	06/30/92	09/30/94	Note 2
92PH1009	Huntington WV Community Development Block Grant	07/10/92	11/07/92	Note 1
92TS0014	Multiregion Review of the Controls Over the Preparation and	07/30/92	03/21/95	Note 2
92SF1009	San Francisco CA Housing Authority, Low-Income Public	09/10/92	01/08/93	Note 1
93CH1003	Cuyahoga Metropolitan Housing Authority, Low-Income	11/17/92	04/05/93	12/31/98
93NY1002	New York NY Department of Housing Preservation and	01/29/93	07/06/93	Note 2
93HQ0006	Multiregion Limited Review of the Public Housing	02/04/93	09/24/93	Note 1
93AO1003	DC Department of Human Services, Single Family Homeless	03/03/93	07/26/93	Note 1
93FO0002	Audit of Government National Mortgage Association's Fiscal	03/29/93	01/11/94	Note 1
93HQ1001	Scranton Urban Development Action Grant and Community	03/31/93	03/31/96	05/31/96
93FO0003	Audit of Federal Housing Administration's Fiscal Year 1992	04/30/93	03/31/94	12/31/98
93HQ0012	Multiregion Audit of the Direct Endorsement Program	04/30/93	09/23/93	Note 1
93FO0004	Audit of HUD's Fiscal Year 1992 Consolidated Financial	06/30/93	03/31/94	03/30/98
93CH1026	Yellowbird Limited, Multifamily Mortgagor Operations	08/05/93	02/01/94	Note 1
93SF1012	Los Angeles CA Community Development Block Grant	09/17/93	09/30/94	Note 1
93HQ0018	Multiregion Audit of Delegated Processing Program	09/30/93	02/07/94	Note 1
94CH1004	Michigan State Housing Development Authority, Section 8	11/10/93	04/18/94	Note 1
94AT1005	Tennessee Housing Development Agency, Section 8 Housing	12/02/93	09/21/94	Note 2
94CH1010	Cincinnati OH Community Development Block Grant Program	12/30/93	03/30/94	3/15/95
94AT1008	Progress Point Inc., dba Bright Beginnings, Supportive	01/14/94	07/07/94	Note 2
94CH1013	Chicago IL Housing Authority, Maintenance Operations	01/14/94	07/28/94	03/31/97
94AT1012	Housing Authority of the City of Atlanta GA Public Housing	03/11/94	Note 3	
94PH1008	Logan Assistance Corporation, Philadelphia PA	03/25/94	03/01/96	02/28/97
94SF1006	Westwood I Apartments, HUD Insured Multifamily Project,	03/31/94	05/26/94	07/31/96
94AT1017	North Carolina Housing Finance Agency, Section 8, Hope 3	04/28/94	03/31/95	08/30/96
94PH1010	Pennsylvania Department of Community Affairs, Permanent	05/11/94	03/29/95	Note 2
94FO0002	Audit of Fiscal Year 1993 Financial Statements - Federal	06/08/94	09/12/94	Note 1
94FO0003	Audit of Fiscal Year 1993 HUD Consolidated Financial	06/30/94	Note 3	
94CH1031	Hartman and Tyner, Inc., Multifamily Management Agency	07/08/94	11/23/94	Note 2
94SF1008	San Bernardino County, CDBG Program	07/13/94	11/16/94	10/31/96
94BO1009	TFG Management Company, Inc., Multifamily Management	07/25/94	11/02/94	11/01/96
94PH1016	Baltimore MD Housing Authority, Public Housing Activities	09/23/94	03/01/95	06/30/96
95AT1003	Metropolitan Dade County FL Community Development Block	11/02/94	09/28/95	06/30/96
95BO1002	Brook Village North, Multifamily Project Operations, Nashua,	01/13/95	03/07/95	09/30/96
95NY1001	1199 Housing Corporation, Multifamily Mortgagor Operations,	01/24/95	09/15/95	09/30/96
95PH1003	Fayette County Housing Authority, Management Operations,	02/08/95	09/06/95	08/08/96
95PH1004	Abbotsford Homes, Tenant Management Corporation,	03/02/95	08/09/95	Note 2

Report Number	Report Title	Issue	Decision	Final Action
95FW1007	New Orleans LA, HOME Investment Partnerships Program	03/24/95	09/29/95	Note 2
95FO0001	Audit of Section 8 Budgeting and Accounting	03/27/95	12/21/95	09/30/96
95PH1007	Philadelphia PA Housing Development Corporation, CDBG	03/30/95	08/31/95	07/31/96
95SF1006	Phoenix AZ, HOPE 3 Implementation Grant	03/30/95	06/15/95	Note 2
95DE1002	Turtle Mountain Housing Authority, Management of Cash	03/31/95	07/03/95	07/01/96
95NY1002	Buffalo, NY Housing Associates, Inc., Multifamily Project	03/31/95	09/15/95	02/01/98
95CH1003	City of Marion IL Community Development Block Grant	04/03/95	09/11/95	04/03/96
95CH1004	Springfield IL Housing Authority, Section 8 Programs	04/10/95	07/11/95	Note 2
95CH1005	Lake County Consortium, Home Program, Waukegan, IL	05/01/95	09/12/95	Note 2
95FO0003	Audit of the Federal Housing Administration's Fiscal Year	05/19/95	03/15/96	09/30/97
95BO1004	Woodview Apartments Multifamily Mortgagor Operations,	05/31/95	11/22/95	06/15/98
95AT1009	Housing Authority of the City of Raleigh, Public and Section 8	06/07/95	01/31/96	12/31/96
95CH1007	City of Detroit MI, Community Development Block Grant	06/22/95	11/02/95	07/18/96
95PH1010	Verona Apartments, Multifamily Mortgagor Operations,	07/06/95	12/05/95	11/28/96
95BO1006	Rolling Green Apartments, Multifamily Mortgagor Operations,	07/12/95	12/14/95	09/30/96
95CH1008	City of Toledo OH Housing Development Action Grant	07/25/95	12/18/95	04/22/96
95AT1010	Housing Authority of Fulton County, Public Housing	08/02/95	01/02/96	07/31/96
95CH1009	Alliance Mortgage Corporation, Single Family Mortgage	08/08/95	11/30/95	Note 2
95CH1010	Chillicothe OH Metropolitan Housing Authority, Low-Income Program	08/14/95	12/12/95	Note 2
95FO0004	U.S. Department of Housing and Urban Development Audit of	08/28/95	Note 3	
95SF1011	Capitola CA, CDBG Program, Use of Program Income	08/31/95	01/09/96	Note 2
95CH1011	Peoria IL Housing Authority, Comprehensive Review	09/07/96	01/12/96	01/12/97
95CH1012	Madison County Housing Authority, Safeguarding Monetary	09/22/95	01/19/96	12/31/96
95PH1012	Monumental Management, Inc., Multifamily Mortgagor	09/29/95	02/07/96	02/07/97

**AUDITS EXCLUDED:**

19 audits under repayment plans

42 audits under formal judicial review, investigation, or legislative solution

**NOTES:**

1 Management did not meet the target date. Target date is over 1 year old.

2 Management did not meet the target date. Target date is under 1 year old.

3 No management decision. Decision expected by May 1996.

**TABLE C**  
**INSPECTOR GENERAL ISSUED REPORTS WITH**  
**QUESTIONED AND UNSUPPORTED COSTS AT 3/31/96**  
(DOLLARS IN THOUSANDS)

APPENDIX 2

Reports	Number of Audit Reports	Questioned Costs	Unsupported Costs
A1 For which no management decision had been made by the commencement of the reporting period	26	\$21,583	\$13,419
A2 For which litigation, legislation or investigation was pending at the commencement of the reporting period	10	11,669	5,345
A3 For which additional costs were added to reports in beginning inventory	--	375	42
A4 For which costs were added to non-cost reports	3	11,060	192
B1 Which were issued during the reporting period	31	9,654	2,239
B2 Which were reopened during the reporting period	1	325	0
Subtotals (A+B)	71	\$54,666	\$21,237
C For which a management decision was made during the reporting period	48 <sup>1</sup>	38,441	14,536
(1) Dollar value of disallowed costs:			
• Due HUD	21 <sup>2</sup>	8,595	3,839
• Due Program Participants	31	21,971	3,876
(2) Dollar value of costs not disallowed	14 <sup>3</sup>	7,875	6,821
D For which management decision had been made not to determine costs until completion of litigation, legislation, or investigation	8	10,443	4,823
E For which no management decision had been made by the end of the reporting period	15 (36) <sup>4</sup>	5,782 (4,191) <sup>4</sup>	1,878 (812) <sup>4</sup>

<sup>1</sup> 3 audit reports also contain recommendations that funds be put to better use.

<sup>2</sup> 10 audit reports also contain recommendations with funds due program participants.

<sup>3</sup> 8 audit reports also contain recommendations with funds agreed to by management.

<sup>4</sup> The figures in brackets represent data at the recommendation level as compared to the report level.  
See Table D for Explanation.

**TABLE D**  
**INSPECTOR GENERAL ISSUED REPORTS**  
**WITH RECOMMENDATIONS**  
**THAT FUNDS BE PUT TO BETTER USE**  
**AT 3/31/96**  
(DOLLARS IN THOUSANDS )

Reports		Number of Audit Reports	Dollar Value
A1	For which no management decision had been made by the commencement of the reporting period	3	\$3,401
A2	For which litigation, legislation or investigation was pending at the commencement of the reporting period	3	743
A3	For which additional costs were added to reports in beginning inventory	--	0
A4	For which costs were added to non-cost reports	1	26
B1	Which were issued during the reporting period	0	0
Subtotals (A + B)		7	4,170
C	For which a management decision was made during the reporting period	5 <sup>1</sup>	3,444
(1)	Dollar value of recommendations that were agreed to by management	3	124
	• Due HUD	2	3,320
	• Due Program Participants		
(2)	Dollar value of recommendations that were not agreed to by management	0	0
D	For which management decision had been made not to determine costs until completion of litigation, legislation or investigation	2	726
E	For which no management decision had been made by the end of the reporting period	0	0

<sup>1</sup> 3 audit reports also contain recommendations with questioned costs.

## **EXPLANATIONS OF TABLES C AND D**

The Inspector General (IG) Amendments of 1988 require Inspectors General and agency heads to report cost data on management decisions and final actions on audit reports. The current method of reporting at the "report" level rather than at the individual audit "recommendation" level results in misleading reporting of cost data. Under the Act, an audit "report" does not have a management decision or final action until all questioned cost items or other recommendations have a management decision or final action. Under these circumstances, the use of the "report" based rather than the "recommendation" based method of reporting distorts the actual agency efforts to resolve and complete action on audit recommendations. For example, certain cost items or recommendations could have a management decision and repayment (final action) in a short period of time. Other cost items or nonmonetary recommendation issues in the same audit report may be more complex, requiring a longer period of time for management's decision or final action. Although management may have taken timely action on all but one of many recommendations in an audit report, the current "all or nothing" reporting format does not take recognition of their efforts.

The closing inventory for items with no management decision on Tables C and D (Line E) reflects figures at the report level as well as the recommendation level.

PROFILE OF PERFORMANCE  
OCTOBER 1, 1995 THROUGH MARCH 31, 1996

	Audit	Investigation	Total
Cash Recoveries	\$17,243,886	\$1,054,866	\$18,298,752
Other Recoveries/Seizures <sup>1</sup>		\$250,000	\$250,000
Court Ordered Restitution		\$8,004,168	\$8,004,168
PFCRA Recoveries		\$93,000	\$93,000
Total Cash Recoveries	\$17,243,886	\$9,402,034	\$26,645,920
Cost Efficiencies	\$773,088		\$773,088
Commitments to Recover Funds	\$30,938,470		\$30,938,470
Cost Efficiencies Sustained	\$3,346,734		\$3,346,734
Fines Levied		\$181,330	\$181,330
Arrests/Search Warrants		1,491	1,491
Indictments		373 <sup>2</sup>	373
Convictions		117 <sup>2</sup>	117
Years of Suspended Sentences/Probation		1/30	1/30
Years of Prison Sentences		28	28
Administrative Actions Against Persons/Firms Doing Business with HUD	4	41	45
Subpoenas Served	73	64	137

<sup>1</sup> Does not include 471 weapons seized under Operation Safe Home.

<sup>2</sup> 256 indictments and 17 convictions related to Operation Safe Home.